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NEWS SUMMARY

GENERAL

Tenerife jet crash probe

Investigators of the Tenerife air crash last Friday recovered the UK airliner's cockpit voice recorder.

The recorder could show the reason for the 11-minute communications silence before the Dan Air Boeing 727 hit a mountain killing all 146 on board.

Dan Air in Tenerife contradicted a statement by Dan Air in Manchester that the jet had apparently been diverted to the island's new southern airport.

In London, Shadow Cabinet Minister John Smith accused Spain of "jumping the gun" by blaming the crasb on pilot error.

Airliner explodes

Forty people were killed and 11 injured when a Thai airliner exploded in heavy roin and lightning while approacbing Bangkok's Don Muang Airport.

Army quits Chad

President Giscard d'Estaing said France would withdraw its 1,100 troops from Chad because they had terminated their missioo of protection.

Bank fraud

A bank and bond market fraud running to at least DM 60m to DM70m (£14.5m to £16.7m) was uncovered by West German police. Six bank officials were arrested and a stockbroker is thought to have fled the country. Back Page

5 diplomats freed

Guerrillas freed five diplomats held hostage in the Dominican Republic Embossy in Bogota, Colombia, and theo flew to Cuba with a number of bostages, including the U.S. ambssodor and the Vatican's envoy.

Reform plans

Proposals for unions to pay their Labour Party affiliation fees at constitueocy rather than national level are among the Amalgamated Union of Engineering Workers' ideas for the reform of the Party. Back Page

Wage move likely

The Zimbabwe Government is expected this week to announce a national minimum wage for all industries of Zim$80 per month (£54.50).

Cuban boat threat

Heavy seas in the Florida Straits threatened the boats of the continuing stream of Cubans fleeing to the U.S. Immigration officials estimated that 3,000 refugees had arrived in Florida.

Iraq denies coup

Iraq dismissed reports of a military coup in which President Saddam Hussein was killed as "false and baseless."

Briefly . . .

Afghanistan completed two years under Marxist rule, with an estimated 110,000 Soviet troops in the country.

Conference which could lead to the return of more than 150,000 refugees to Kampuchea is to be held next month.

President Tito's coodition remained extremely serious.

BUSINESS

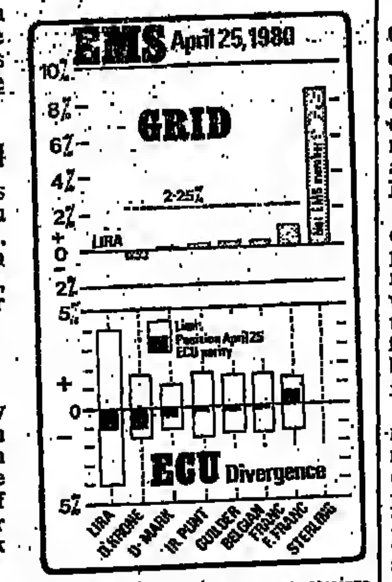
Jaguar union in peace move

● BL CARS last night concluded a peace formula with the union leaders at its Jaguar plant in Coventry which should avert the dismissal of 1,800 employees who went on strike over a proposed new grading structure. A mass meeting of workers is being called for tomorrow wheo they will be told the results of 16 hours of negotiations at the weekend. Back Page

● THE FRENCH FRANC remained the strongest member of the European Monetary System throughout last week in spite of the volatile oature of Paris interest rates. Oo Tuesday, overnight money in the Paris money market rose to 12¾ per ceot, the highest level this month, but by Friday had returned to 12½ per ceot, unchanged from the eod of the previous week.

In Fraokfurt, overnight mooey was firm, reflecting tight domestic liquidity, while longer term rates declined os U.S. rates eased. The D-Mark streogthened against the dollar, but showed little change within the EMS, remaining around the middle of the system.

The Italian lira was the weakest EMS currency on most days, altbougb there was little difference between the lira and Danish krooe oo Friday, with the krone at the bottom of the system on percentage change from central rate. The Belgian franc sobwed a marked improvement.



The chart shows the two constreints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may more more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● TRANSPORT programme being prepared by Kuwait includes a £176m order for donble-deck buses. BL vehicles are to be tested in competition with those produced by MAN of West Germany.

● UNION of Shop, Distributive and Allied Workers will today vote on demands for a 35-hour week and £80 minimum wage. Page 3

● OIL from the Wytcb Farm field in Dorset should boost Britain's onshore production to about 20,000 barrels a day by the mid-1980s, says a stockbrokers' study. Page 3

● MINING groupa Anglo American Corporation and De Beers Consolidated Mines, controlled by Harry Oppenheimer, will not increase their holding in Consolidated Gold Fields of London beyond 29.9 per cent, the trigger point for a mandatory offer. Page 12

● HOME CHARM sales since January are 25 per cent up on the same period of last year, says its chairman, H. E. Fogel, who forecasts record sales and profits in 1980. Page 12

PUBLISHER'S NOTICE

The Financial Times apologises for errors contained in this issue which are dne to difficulties in the reading department.

CONTENTS

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Brzezinski warning as EEC leaders debate Iran

U.S. may still use military action to free hostages

BY JUREK MARTIN AND DAVID BUCHAN IN WASHINGTON

SENIOR Carter Administration officials yesterday refused to rule out the further use of military action to secure the release of the U.S. hostages io Tehran.

Making no apologies for last week's abortive raid in which eight American servicemen died, Dr. Zbigniew Brzezinski, President Carter's National Security Adviser warned Iran: "Do not scoff at American power. Do not scoff at American reoch."

Dr. Harold Brown, Defence Secretary, in a separate television interview repeated the possibility of further military measures. But both men said that America's allies and Congress would be informed in advance if the U.S. decided to employ what Dr. Brzezinski called "a sustained military operatioo" sucb as miniog Iranian ports or blockading Iranian commerce.

Both added thot the allies fully uoderstood that the dictates of secrecy demanded oo prior consultation before o rescue attempt, such os that launched last week.

Mr. Brown aod Dr. Brzezinski emphasised the great importance the U.S. attacbes to allied endorsemeot of economic and diplomatic sanctioos agaiost Iron in order to bring about o peaceful resolution to the fate of tbe hostages.

Not surprisingly, both rejected suggestions that the bodies of the eight U.S. servicemen killed in the raid would he returned only in the U.S. abandoned its unilateral economic sanctions. The foct that Iran was willing to trade for bodies, Dr. Brzezinski said, was "an indication of the depths to which they have sunk."

Mr. Brown was equally dismissive of the Iranian threat to block all Gulf shipping through the Straits of Hormuz. Such an effort, he said, was

Continued on Back Page
Editorial comment and feature, Page 10
Bani Sadr loses to militants

'WORLD SUMMIT' MOVES

The Iranian crisis was discussed last night by EEC Heads of Gnvernment, writes Giles Merritt in Luxembourg, amid persistent reports that a special wnrld summit nn Iran was being planned.

This would consist of the U.S., Canada, Japan and the "Big Fnur" of the EEC, the UK, West Germany, France and Italy.

Whether sucb a summit is called befnre the same leaders meet in Venice in Jnne on the world ecooomy will depend mainly oo the ontcome of the Luxembourg talks.

Though it was clear that a fresb expression of support for the U.S. wnuld be forthcoming, there were dnnbts nn the extent of the support which the U.S. could expect.

The unilateral U.S. incursinn into Iran last week bas provnked resentmeot in the EEC.

It contrasted strongly with the empbasis that the U.S. had placed oo oeed for a common EEC-U.S. position nn economic sanctinns against Iran.

The EEC leaders are expected to confirm the decision to apply sanctiona against Iran if the bnstages are not released by May 17.

Charred bodies on display

By Simon Henderson in Tehran

THE CHARRED hodies of the American aervicemen who died in the failed mission to rescne the bostages were put on display at a grotesque Press confereoce in the captured embassy grounds in Tehran yesterday.

The conference was called after the students had announced that some of the 50 hostages who have been held since last Novemher were being transferred to other cities in Iran to thwart any new rescua attempt, and they had reoewed their threat to put aome on triel for spying.

It had previously been assumed that the bodies would be repatriated. President Bani-Sadr said this would be allowed. But after being flown to Tehran, they were taken to the U.S. embassy.

Within hours, Ayatollah Khalkhali, the heod of the Islamic revolutionary courts, wos showing remains of bodies before ao astonished and horrified audience from the world's Press.

The Ayatollah, who bad beeo at the crash site oear Tabas in the east of Iran, insisted on opening each of the bags in whicb the bodies were wrapped.

At one point be held up a piece of skull and at another a revolutionary guard dng out the identification tag from the charred body of ooe serviceman.

The Ayatollah has oot previoosly beeo closely associated with the students, but he has acquired a feared reputation for ordering more than 300 executioos of supports of the Shah and rebellious Kurds from West Iran after summary trials.

The reaction of Iran to tbe U.S. failure bad been a mixture of jubilation and hatred. Many Iranians see the crisis as an attempt by the U.S. Government to interfere in Iranian internal affairs and not merely an effort to secure the release of the hostages.

President Boni-Saor bas proved entirely loeffective in coping with the more militant actions of the students and his rivals on the ruling Revolutionary Council. He is now in a very weak position to deal with any diplomatic oction whicb might emerge from this week's EEC Summit or from Washington.

Some observers had considered that the militant students holding the embassy would have their influence weakened if they transferred some of the bostages to other places, but it is probahly still too early to judge.

President Valery Giscard d'Estaing of France and Chancellor Helmut Schmidt of West Germany in discussion as the Luxembourg summit begins.

EEC heads seek compromise deal

BY MARGARET VAN HATTEM AND JOHN WYLES

EEC Government lesders were last night locked in a difficult attempt to sew up a package deal embracing the British budget problem and a Community farm price settlement.

The link between these two highly divisive issues, forged largely at the insistence of France, hrought Community Agriculture Ministera to Luxembourg so that their discussion of farm prices could run parallel to those of the nine Government leaders on the UK's demaod for a big redoction in its budget payment.

The plan to solve the row over Britain's budget contribution was based on cooslderation of a French compromise proposal which would place a definite ceiling on the UK's oet payment to Brussels for at least three years.

Oo present treods, the UK will be paying a minimum of £1.1bn net this year, probobly more io future years.

Britisb officials found the plao "interesting" but lacking in detail after it was first outlined on Friday to Mrs. Margaret Thatcber, Britain's Prime Minister, at a meeting with Sig. Francesco Cossiga, the Italian Prime Minister and summit chairman.

The Freocb wisb to see sigoificant farm price increases wbich would require mojor coocessions from the UK.

Mr. Peter Walker, Britaio's Agriculture Minister, has hitherto refused to agree price increases for products in surplus because of the cost to the Community's budget to which Britain is now the major net cootributor.

The new French loitiative would insulate the UK against the budgetary effects of form price settlements.

It is rare for the EEC to try to settle two major issues in sucb a way and is indicative of the government leaders' desire to make progress on settling a "family sqnabble" at a time when they are increasingly pre-occupied witb the Iranian and Afghan crises.

But there was considerable anxiety among European Commission officials that the evideot desire for agreement on a farm price settlement and the British problem may gravely compromise the Community's financial future.

If the UK eventually softens its stand against price increases for surplus products in return for an acceptable cut in budget payments then the Community looks likely to hit its budget ceiling and thus run out of money before the end of next year.

The French proposal to limit Britain's net budget contribution to an annual 850m ecu (£500m) would leave West Germany to pay for most of the 5 per cent farm price rise, oo whicb the French are insisting.

This appears to have converted West Germany overnight loto being the strongest advocote of price moderation.

West Germany had been sheltering bebind Mr. Walker's opparent intransigent stand on price increases. But last night it emerged more openly in favour of o stricter price deal than was being sought by Fraoce.

Ao opeo differeoce of this kiod is something which President Giscard d'Estoing ond Chaocellor Helmut Schmidt usually seek to avoid.

Althougb apparently lacklug in detail, the French proposal suggests pegging the UK's net cootributioos for three yeors, on the basis of its 1979 paymeots to Brussels wbich were eitber

Continued on Back Page

£ in New York

—	Apr. 25	previous
spot	$2.2750-2780	$2.2620-2650
1 month	0.20-0.10 dis	0.17-0.12 dis
3 months	0.50-0.40 dis	0.48-0.44 dis
12 months	2.00-1.85 dis	2.00-1.85 dis

CBI attacks Government policy

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

GROWING CONCERN about economic policies and the prospects for industry has beeo expressed separately by leaders of the CBI aod TUC in statements sent to the Government and the Notional Ecooomic Developmeot Council.

The CBI's view reflects increasing pressure from companies for loterest rates to be reduced as quickly as possible, while the TUC gives o warning that it might take "many yeors" for current monetary policies to briog inflation below double figures.

"The cost of achieving this reduction in inflotion by the methods chosen will be a loss of outpot and a level of unemployment that would be politically, socially, economically and morally indefensible," says the TUC.

These statements ore contained in answers to eight questions oo economic policy sent to the CBI an wTUC at the request of Sir Geoffrey Howe, Chancellor of the Exchequer. They will form the basis for an important debate at the next meeting of the NEDC in nine days' time, but have not yet been officially published.

The questions range over issues such as monetatry policy, the use of North Sea oil reveoues, the impact of a high exchange rate, and ways of encouraging moderinsation.

An indication of the Government's answers may be giveo by Sir Geoffrey this afternoon when be appears before the Commons select committee on the Treasury and the Civil Service.

Concern among industrialists about the impact of interest rates is likely to be emphasised tomorrow when the CBI pnblisbes its quarterly industrial trends survey whicb will underline the bleak prospecta and liquidity problema facing manufocturing industry.

On the use of North Seo oil revenues and industrial competitiveoess, the CBI bas said that o top priority must be a lowering of interest rates. Although the CBI has said that before in different ways, it is likely that its demaods for Government actioo will gradually be stepped up. It also want actioo on the ootional insurance surchorge and oo business rates.

The TUC calls for a North Sea Oil Fund to channed finance to industry, matched hy equal contributions from financial institutions. It also makes a general attack on the Government's reliance on setting monetary targets aod enters the debate about bow long present policies will take to bring down the rate of inflation to single figures.

Industry seeks new leader, Page 3
Samnel Brittan on "concerted actinn" in shrdlar sh shr action" in West Germany. Lombard, Page 8

Argentina props up top banks

BY ROBERT LINDLEY IN BUENOS AIRES

ARGENTINA'S Central Bank has taken over control of three of the conntry's largest private banks and has spent $107bn (£747m) in the past month shoring up ahout 100 financial institutions.

The banks—the Banco de Los Andes, the Banco Oddone and the Banco Internactional—were put under the control of Government trustees on Friday night.

They are ranked first, seventh and ninth largest banks in Argentina on the size of their deposits.

The move, part of the Government's drastic attempt to give what it calls "a new dimension" to the country's sbaky financial sector, came one month after the Central Bank had liquidated the Banco de Intercambio Regional (BIR), the country's aecond largest private bank.

BIR's liquidation, which followed the collapse of Promosur, Argentina's second largest finance company, appears to have caused a run on the country's banks.

It is thought that obout $700m of the total $1.7bn laid out in support of the banking system was spent on Banco de Los Andes alone.

On Saturday, three top execntives of the Banco de Los Andes, including its president, Sr. Hector Breco, and his brother, were arrested in Mendoza province. Details of the charges against them are not known.

The Government is also seeking the extradition of Sr. Jose Trozzo, the president of the now defunct BIR, who is believed to be in the U.S.

The three banks taken over, together with their scores of branches throughout the country, were expected to he open for business as usual today under Central Bank trusteeship.

Further Ceotral Bank intervention is not ruled ont. Sr. Alejandro Reynal, the bank's vice-president, warned on Friday that steps would be taken to put a stop, once and for all, to "practices that break the rules."

The present crisis is presumed to have caused a considerable drain on the national treasury. The Central Bank guarantees at least 90 per cent of peso deposits in Argentina's financial institutions.

Tax policy hits middle manager

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MIDDLE managers, whose plight was freqnently lamented by Conservative leaders before the last election, bave been left least well-off compared with other groups as a result of the Budget, according to the Government's calculations.

The figures, published in a Parliamentary writteo answer, are likely to intensify controversy about the impact of the Government's tax policy.

A married couple with two children wbere the busband earns £10,000 a year—the typical middle manager—will receive an increase of 0.1 per cent in real net income in the current financial year aa a result of the Bodget.

This compares with a 1 per cent increase for a couple with earnings of £5,000 a year, a 1.8 per cent increase at £15,000, a 2.5 per cent increase at £25,000 and a 1.7 per cent increase at £50,000.

The contrasts reflect the impact at differing income levels of fixed cash increases in allowances and thrsholds.

The calculations take account of changes in income tax and the rise in child benefit of 75p a week from November, adjusted for the rise in prices resulting from higher indirect taxes.

The figurea are strongly disputed by some economists who argue that they show too favourable to picture. Thia is mainly because tbey do not present a full inflation adjustment, whicb would show the rise in the real tax burden.

Moreover, even in casb terms it is argued tbat the increase in the employee's national insurance contribution, not anoouced in the Budget but coming into effect this month, should be taken into account. If that were dooe, the number sbown receiving even a small rise in real net income would fall substantially.

Mr. John Kay, research director of the independent Institute for Fisca Studies and a special odviser to the revenue sub-committee of the Treasury and Civil Service Committee of the Commons, has presented an even less favourable picture.

He has included what he describes as "intermediate taxea" resulting from the Budget, namely price increases and rises in council house rents and rates resulting from public spending cuts. If these are taken into account only families with earnings well above £25,000 a year are likely to receive any net gain from the Budget.

OVERSEAS NEWS

Boost in Kuwait oil production ruled out

BY ANDREW WHITLEY IN KUWAIT

THE industrialised world's crude oil stocks could be drawn down by as much as 2.5m barrels a day for the rest of 1980 without either necessitating an increase in OPEC production levels or leaving those stocks "excessively low," according to Kuwait's Oil Minister, Sheikh Ali Khalifa al-Sabah.

The Minister defended Kuwait's decision not to change its production and export targets because of the Iranian crisis. Last week the United Arab Emirates said it was prepared to help oil consumers in Western Europe and Japan hit by a cut-off in Iranian supplies. But Sheikh Ali Kalifa said Kuwait's present production target of 1.5m b/d had been reached only after much soul-searching and the country was determined to stick to it for the "medium-term."

Kuwait has publicly criticised the abortive U.S. attempt to rescue the American hostage held in Tehran as "a violation of international law." Mr. Badol Aziz Hussain, the Minister of State and Government spokesman, said the failed rescue attempt had "complicated the matter and exposed the region to conflicts which are in no side's interests."

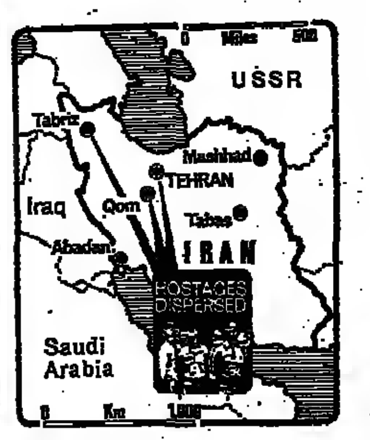
Privately, though, there is greater sympathy and understanding for the American dilemma.

Kuwait makes clear it is not prepared to challenge the foundation stone of the state by taking part in economic sanctions against Iran. In theory formal restrictions exist on the re-export of subsidised foodstuffs, but these controls are being blatantly ignored by Kuwaiti merchants.

Developments in the protracted Iran crisis are being followed avidly. Although there are fewer photographs of Ayatollah Khomeini on display in Kuwait's bazaar shops than there were six months ago, many thousands of this wealthy little State's citizens tune in each night to Tehran's Voice of the Islamic Revolution to follow the latest turn of events.

Indeed, a key question confronting Kuwait's rulers is how the country's minority Shi'ite Moslems and Iranian residents respond to this seductive voice of sedition.

Wreckage of the C-130 plane and helicopters lies in the Iran desert



Bani-Sadr loses out to militants

BY SIMON HENDERSON IN TEHRAN

ANY HOPE that something positive might emerge from President Carter's failed Iran rescue mission, faded yesterday when the militant students holding the U.S. Embassy staged a macabre news conference to put the bodies of the eight dead U.S. servicemen on display.

Until that point the spectacle of a defeated United States, had provided one of the most powerful hopes that a time for settlement, if not reconciliation, was approaching.

The public humiliation of the U.S. as a world power powerless to intervene against the Islamic the course of the six-months-old crisis as a much more important reason for holding the hostages than the more publicised insistence on the return of the Shah and his wealth.

Optimism was briefly reinforced by President Bani-Sadr on Saturday when he told journalists that he had ordered that the bodies should be repatriated.

But once again, in the struggle appears to have been contradicted within hours by the students.

When an Iranian Air Force aircraft brought the bodies to Tehran they were received, not by the Swiss Embassy as expected, but by Ayatollah Khalkhali, the feared prosecutor of the Islamic Revolutionary courts who has earned himself the title "Judge Blood."

The bodies yesterday lay in the captured U.S. embassy compound and foreign journalists were called for a news conference there by the students who are now quite skilled in manipulating the world's media. From the side gate to the compound, where the Press had assembled, it was possible to see through the blanketed bodies lying in a row, surrounded by guntoting, smiling students.

How the Revolutionary Council would cope with any wish of the students to hold the bodies as a further bargaining counter in the crisis with the U.S. remains ahypothetical question. But the Islamic Republican Party — the political organisation of the hard-line clergy who oppose Mr. Bani-Sadr will probably support them.

The coming weeks offer little indication of the next steps in the crisis. The European Community ambassadors are returning to the country over the next two days and are expected to make an early appointment with President Bani Sadr to press home the need for a solution before sanctions come into effect on May 17.

The Iranian President is probably now waiting for the second round of Parliamentary elections on May 9 before trying to assert himself.

Both America's failure to free the hostages is also closely tied to Mr. Bani-Sadr's inability to seize control of the levers of power.

Mr. Bani Sadar, despite being still respected as the President, has not been able for more than a month to show anything of the power that was bequeathed him when in Presidential elections earlier this year he won an overwhelming 75 per cent of the popular vote and the endorsement of Ayatollah Khomeini.

What the Ayatollah did not do was to clarify the powers of the President in the interim stage before the Islamic constitution becomes fully operative after the final round of Parliamentary elections. President Bani Sadr has been acting merely as the chairman of the ruling Revolutionary Council. There, the running is made by the Islamic fundamentalists who also form the ruling cabal of the Islamic Republican Party.

It is a situation that Ayatollah Khomeini allows to persist and which, whatever the Imam's motives, must ultimately favour the militants and undermine American hopes of moderation in Iranian policies.

Criticism mounts in Washington over rescue plan

BY DAVID BUCHAN IN WASHINGTON

THE POLITICAL inquest into President Carter's overall responsibility for the doomed Iranian rescue mission, and the questioned competence of the U.S. military in carrying it out, gathered steam over the weekend.

As shock and surprise wore off, the number has grown of those criticising multiple aspects of the detailed rescue plan that never got near Tehran and the hostages, and had to be scrapped after only its first stage in the desert.

Armed services committees in both the Senate and House of Representatives are due to hold hearings into the fiasco in the coming weeks. While obviously focusing on the operation itself, these investigations are also bound to raise implications from the failure: Does it confirm Congressional criticism from some quarters that the Pentagon is too busy buying new weapons to care about maintaining the ones it already has?

The operation was called off, on the recommendation of the mission commander, which was then confirmed by President Carter and Mr. Harold Brown, the Defence Secretary, because flying and mechanical failures left the mission with less than six helicopters to proceed towards Tehran. Astonishingly, as many as three out of the eight helicopters failed in one way or another early on.

Some Congressmen have never felt happy with the performance of the volunteer army since conscription was scrapped in the early 1970s, and are already arguing that the Iran fiasco shows service pay is not high enough to attract people skilled in operating and fixing multi-million dollar military hardware.

"If the Israelis and the West Germans can carry off something like, why can't we?" was another criticism put directly to Mr. Brown after the operation.

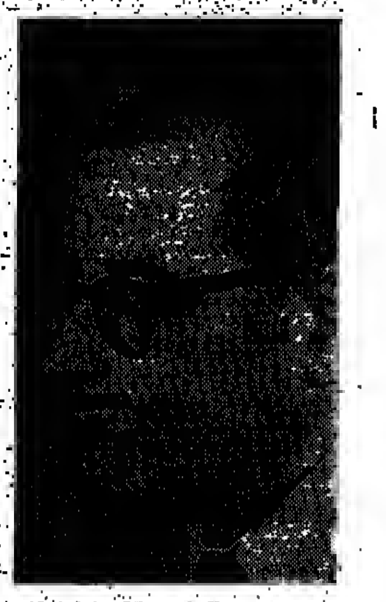
His explanation was that flying 500 miles straight in helicopters was extraordinarily difficult, and "no other country could have attempted anything like this." But that has not assuaged hurt American pride —evident over the weekend in television and radio programmes and in street conversations — in their military competence.

The White House sent Congress over the weekend a six-page detailed report on the unsuccessful mission, as part of the President's desire to "inform the Congress on such matters," Mr. Jody Powell, Press Secretary said.

The report was "consistent with the provisions of the War Powers Act," but that did not mean the President felt in any way compelled by the Act to consult with the Congress before launching the mission, Mr. Powell added.

It certainly rankles with Congress that it was given no clue about the mission beforehand. Some on Capitol Hill, notably Senator Frank Church, chairman of the Senate Foreign Relations Committee, were quick on Friday to charge the President with breaking the law.

The Administration rebuttal is that secrecy on the Iran mission did not make it a possible instance within the meaning of the Act, nor should an essentially humanitarian mission be interpreted as military action under the 1973 law.



Mr. Harold Brown

Soviet Union takes advantage of Carter's humiliation

BY DAVID SATTER IN MOSCOW

AS THEY survey the failure of the U.S. rescue mission in Iran and reaction to its around the world, the Soviet leaders, who are presumably atheists, may be asking themselves what they ever did to deserve such good luck.

The Soviet Union in recent months has sought to win the friendship of Iran, create a split between the U.S. and the Westernallies and discredit President Jimmy Carter, in an effort to neutralise the international outcry to their invasion of Afghanistan.

The failure of the mission to rescue the hostages has not only created new possibilities for the Soviet Union to make progress in gaining each of its previous objectives, but may also give Moscow a potentially crucial lever in its drive to influence Iran.

The Soviet response has been an outpouring of derisory press comment to the affect that the U.S. mission proved that America is aggressive and unreliable. The Soviet authorities almost certainly do not draw this conclusion from the failed raid but they want to distract attention from Afghanistan and strengthen their credentials with Iran.

The Communist arty newspaper Pravda at the weekend warned Mr. Carter to put an end to his "recklessness" and described U.S. policy toward Iran as one of "military provocations, threats, political and economic blackmail." The U.S. mission to rescue the hostages was denounced as "an act of gangsterism."

The newspaper said yesterday that the "provocative actions" of the U.S. against the "young Islamic republic" of Iran "by no means add to the perstige of the present American administration" and show the real worth of "hypocritical assurances" of "respect for human rights."

There has been a credible theory in Moscow that one of the reasons the Soviet Union felt safe in invading Afghanistan was the assumption that world reaction would eventually be cancelled out by the reaction to inevitable military action against Iran.

In fact, this is nearly what has happened. Iran's Islamic revolution turned to the Soviet bloc for support and the Soviet suppression of the Islamic revolt in Afghanistan has been made much more manageable politically because of Iran's confrontation with the U.S.

Pravda said that the word "unpredictable" had been heard more and more frequently with reference to the Carter Administration and that the U.S. was using its Western European partners like "chess pieces."

The tone of the Soviet commentaries suggests that the Russians think Mr. Carter can be coerced over Iran.

The Soviet leaders know that the weakness of President Carter is the weakness of any democratic leader who cannot lightly sacrifice the lives of fellow citizens for reasons of state. But Moscow has an interest in preventing the crisis from getting out of hand. Western economic sanctions against Iran can only lead to increased Iranian economic dependence on the Soviet bloc, which will not be possible without political concessions.

The prospect, therefore, is for maximum propanda support for Iran from the Soviets, but an avoidance of overt provocations lest the building antagonism between the superpowers goes too far.

Guerrillas end siege at Bogota embassy

BY HUGH O'SHAUGHNESSY

THE 61-day siege at the Dominican embassy in Bogota which at one time involved the holding of 58 ambassadors, diplomats and other hostages by Colombian extremists, ended quietly yesterday.

The M-19 guerrillas who had seized the embassy on February 27 made a deal with the Colombian Government under which a Cuban aircraft took them and five envoys yesterday morning to Havana, the remaining hostages being released unharmed by the guerrillas in the Colombian capital.

Those forced to travel to Havana with their captors included Mr. Diego Asencio, the U.S. envoy, the Papal Nuncio, the Mexican and Brazilian envoys and the other, variously reported as the Swiss or Venezuelan Ambassador.

The M-19 guerrillas, thought to number 15, achieved much less than their original demands of freedom for 311 left-wing prisoners and a $50m ransom, but do seem to have obtained guarantees that those held for political offences will have proper trials in Colombia.

There were reports, too, that some ransom had been paid after private subscription. Throughout the episode the guerrillas had been releasing captives every few days.

The Cubana Airlines Ilyushin which arrived at El Dorado airport, Bogota, on Sunday morning left at 8.20 am for Havana.

The departure came after intensive negotiations between M-19, the Red Cross, and the Human Rights Commission of the Organisation of American States, and brought to an end one of the longest and certainly the most sensational diplomatic kidnapping in recent times.

The extremists were finally convinced by negotiators that their action had achieved its primary objective of focusing public attention on the political and human rights situation in Colombia.

In co-operating in the release, the Cuban Government demonstrated that some people were as anxious to go to Cuba as others have been to leave it.

EEC 'could have role in recycling'

By Jonathan Carr in Bonn

THE European Community may have a role to play in helping recycle the surplus funds of the oil-producing states, while boosting its fledgling reserve asset, the European Currency Unit (ECU) in the process.

This view has gained ground following the low key meeting in Hamburg last week of the International Monetary Fund's policy-making interim committee—which stressed the seriousness of the recycling problem without announcing major new initiatives.

The same gathering also put on ice the plan for a substitution account—which was intended to contribute to greater world currency stability while enhancing the role of the IMF's own reserve asset, the Special Drawing Right (SDR).

It is thus felt that the time may be ripe for more intensive discussion of what specific contribution Europe could make on both the recycling and the currency stability issues.

The Italian Treasury Minister, Sig. Filippo Pandolfi, who chaired the IMF meeting, said afterwards that it was not intended to create rivalry between the European community with its ECU and the IMF with its SDR. On the contrary, he felt the two sides could play complementary roles.

However, it is clear that the topic is delicate — not simply because of a possible overlap between IMF and European activities but also because of the implications for the dollar.

U.S. Treasury to fight Chrysler court injunction

BY IAN HARGREAVES IN NEW YORK

CHRYSLER, only days from a cash crisis, faces a new bout of uncertainty today because of a successful legal challenge, to the Government over its handling of the company's plans to qualify for federal loan guarantees.

On Friday, a federal district judge issued a temporary order barring the Government's Chrysler Loan Guarantees Board from meeting today to make a final decision on the stricken motor company's plan unless the board agrees to meet in public.

The successful suit, which the treasury department will challenge in court this morning, was filed by the Public Citizen Litigation Group, a watchdog body which is part of the organisation run by Mr. Ralph Nader, the country's leading champion of consumer rights.

Indications from Treasury officials over the weekend were that the Government would fight the matter in the courts rather than accept that the meetings of the board, which has met about six times since it was set up by Congress at the turn of the year, are subject to the Sunshine Act on public disclosure.

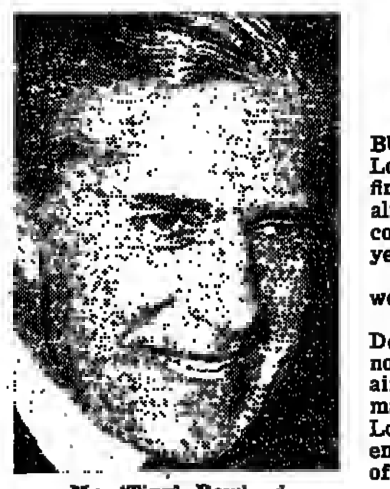
Meanwhile, Government officials were scrambling over the weekend to complete documentation for their presentation to the board. The treasury is understood to be backing a plan which would grant a heavily slimmed down Chrysler $1.5bn in loan guarantees.

The company and the treasury between them have sought to tie down the reciprocal $2bn in commitments to the motor company from its workers, lenders and regional governments.

At the end of last week there was still disagreement over a number of points not the lenders, the most substantive of which concerns the priority banks would take in any futuer enforced bankruptcy of the company.

The banks have, however, won their central demand that they should not be forced to put new money into the company. Instead they have offered concessions on the terms of their loans worth $650m. Some $500m of these concessions will be made in the form of the banks purchasing preferred stock in Chrysler.

"We still don't want to do that, but as we're going to lose that money anyway, it does not make much difference in what form we lose it," said one banker. It is thought likely that because of the number of remaining disagreements over detail the board, even if allowed to proceed with its meeting today, will offer approval only in principle, subject to further conditions. Such a move would grant Chrysler access to the cash it urgently needs.



Mr. 'Tiny' Rowland

Tanzania redistributes Lonrho businesses

BY OUR DAR ES SALAAM CORRESPONDENT

BUSINESSES BELONGING to Lonrho in Tanzania have been finally re-distributed to nationalised and semi-nationalised companies, it was announced yesterday.

Lonrho's assets in Tanzania were seized in June 1978

Mr. Chrisant Mzindakaya, Deputy Industry Minister, announcing the move, said it was aimed at providing "proper management for the former Lonrho businesses and strengthening the Government control of the motor sector."

Vehicle distribution and textiles dominated the activities of Lonrho's 18 Tanzanian companies.

The Minister said 11 of the businesses, dealing with motor vehicle, tractor and farm machinery assembly, and distribution, would come under the control of the expanded State Motor Corporation (SMC).

Yesterday's announcement comes after a long-running row between Lonrho and Tanzania over compensation for the group's assets in Tanzania.

Last October, the Tanzanian Parliament passed a Bill legalising the takeover.

It also provided for the Ministry of Finance to assess the amount of compensation that should be paid.

● An International Monetary Fund team have been invited to return to Tanzania early next month to re-start talks which stalled last year on a $250m extended facility, officials said

In November President Nyerere rejected IMF conditions for the facility and made an outspoken public attack on the Fund.

The IMF team returned to Washington. In January, Mr. Robert Macnamara, World Bank president, handed a letter from the Fund to Dr. Nyerere while on a visit here. The letter, officials said attempted to refuse the row

Swedish transport strike goes on

BY WILLIAM DULLFORCE IN STOCKHOLM

THE BLOCKADE of Sweden imposed by State and local authority employees on Friday continued through the weekend. The official mediators took no action, the Government declined to intervene, and only today will a new attempt be made to resume talks over the pay dispute.

An even bigger labour conflict could erupt on Thursday when some 900,000 private sector employees are due to go on strike or to be locked out.

Only ambulance aircraft have been able to use Sweden's airports since midnight on Thursday

About 14,000 key public employees, including air controllers, harbour pilots and customs officials, are striking in support of a demand for a 12-13 per cent wage increase by four public sector unions.

OAU delegates gloomy on future of Africa

BY MARK WEBSTER IN LAGOS

THE first Organisation of African Unity summit specifically to deal with the continent's economic problems opens in Lagos today, amid generally gloomy predictions.

"Africa is dying," Mr. Edem Kodjo, OAU Secretary-General, said at last week's Ministerial meeting in preparation for today's gathering of heads of state.

His statement reflects the pessimistic view shared by many delegates as the continent faces rapid population growth, high infant mortality, slow economic growth, rising unemployment, an increasing inability to feed itself, rising balance of payments deficit and heavy international indebtedness. Also, a row over different attitudes within the OAU has slowed progress in reaching agreement.

Fundamental differences exist between the Francophone countries—especially those of the French Franc zone—and the Anglophone countries about what needs to be done.

Delegates have had trouble deciding if the final document for consideration by the heads of state should be based on the OAU's own recommendations or on a plan of action drawn up by the UN Economic Commission on Africa.

Political tension has developed because of the threat by Liberia's new head of state, Master-Sgt. Samuel Doe, to take over as chairman of the OAU, following the overthrow of the former chairman, President William Tolbert.

The conference has made it clear it does not want Sgt. Doe to attend. On Friday night, an aircraft carrying Mr. Gabriel Baccus Matthews, Liberia's new Foreign Minister, was refused permission to land at Lagos.

Despite the evident disunity, delegates are agreed that something must be done soon to correct the parlous state of African economies.

It is estimated that Africa's population could reach 813m by the year 2000—double the 1975 total. Also by then, about 39 per cent of the continent's total workforce will be unemployed or underemployed.

Some 38 per cent of Africans will be living in cities, against 25 per cent now.

The OAU is advocating a regional development strategy based on four geographical centres in North, East, West and Central Africa, excluding South Africa completely.

They are seeking agreement for co-operation on improvements to roads, railways, waterways and telecommunications, as well as greater trade between African countries to wean the continent away from its dependence on outside markets.

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UK NEWS

Industrialists seek their new leader

John Elliott, Industrial Editor, on the the changes at the CBI after the death of Sir John Methven

THE MAIN job of leading the Confederation of British Industry following the sudden death last week of Sir John Methven will be performed in the coming months by Sir Ray Pennock, chairman of British Insulated Callender's Cables and a former deputy chairman of ICI.

Sir Ray becomes president of the CBI in succession to Sir John Greenborough in three weeks' time.

In this capacity he will also preside over the hunt for a new director-general to succeed Sir John whose funeral takes place today. This search could take several months.

It will be difficult for the CBI to find someone to match the skills and energy of Sir John.

The search will initially be conducted among the top ranks of industry and associated institutions. But it seems unlikely that any of the company chairmen who help run the CBI's main committees would be prepared to leave their companies for full-time CBI work.

The director general's job will be advertised, and head-hunters will also probably be hired—Spencer Stuart helped find Sir John Methven in 1976.

The broad salary range is thought to be £35,000 to £45,000 a year, although the CBI would clearly pay what it thought necessary to secure the right candidate.

Until a successor is appointed, Sir John Greenborough will help Sir Ray fulfil the public engagements normally shared by the president and the director general.

The day-to-day administration of the CBI will be handled by the deputy directors general, Mr. Jimmy James, and Mr. Brian Rigby.

Mr. James will be responsible for the organisation, information and company affairs directorates. Mr. Rigby, a former senior executive with Laporte and a likely candidate for Sir John's job, will be responsible for policy areas such as economics, social and international affairs, and small businesses.

The death of Sir John and the emergence of Sir Ray Pennock as president may also have a significant effect on CBI policies, although no major changes are likely to be made quickly.

Sir Ray has somewhat liberal views, especially on employment policies. He believes, for example, that industrial performance can be more improved by increased communication with employees and participation, than by introducing new labour laws.

A first priority will be to decide, in the next two months, the future of the CBI's proposed controversial strike insurance fund.

Medium-sized and smaller companies have shown interest in taking out insurance but large companies are less keen. Sir John Methven had argued that large companies should join the fund to help build employer solidarity and change the balance of power in industry.

Supply tugs ordered by Wimpey Marine

BY OUR SHIPPING CORRESPONDENT

WIMPEY MARINE, part of the Wimpey construction group, has ordered two of the most powerful offshore supply vessels to be built in the world.

It has placed an order for two anchor-handling supply tugs with Appledore Shipbuilders, part of British Shipbuilders. The tugs are due for delivery in 1981. Each will be powered by four diesel engines, producing 12,720 bhp. They will have a maximum bollard-pull of 155 tons.

The value of the total order has not been disclosed. It is believed to be worth between £10m-£15m. The type of diesel engines to be installed has not been revealed.

Wimpey Marine's new vessels will be between four and five times more powerful than the first generation of anchor-handling tugs, used in early stages of North Sea oil exploration.

Anchor-handling supply tugs tow semi-submersible drilling-rigs between oil-fields. They lay the rigs' anchor to keep the rigs in a fixed position.

Competition for business is fierce and tugs have had to become more and more powerful to cope with exploration in increasingly deeper parts of the North Sea.

Norwegian supply-boat operators quickly saw the trend towards more powerful anchor-handling/supply tugs.

According to a recent report by Derrick Offshore, "A European Review of Offshore Service Craft, 1980-83," the Norwegians built 7,000-8,000 bhp tugs in the mid-1970s and quickly began to dominate the market.

The Derrick report notes that the Norwegians have 52 anchor-handling/supply vessels, of which nearly three quarters are more than 7,000 bhp. By contrast, the UK has a fleet of 40 anchor-handling/supply vessels, and only a third of those are more than 7,000 bhp.

Denmark's Maersk group runs a fleet of 20 such vessels, OSA of Germany 30, and Holland's Smit Lloyd 28.

Derrick Offshore estimates that the world fleet of anchor-handling/supply vessels totals 189, of which 101 are based in the North Sea. About 58 per cent are between 3,000-6,000 bhp, and the remainder are more powerful.

UK ANCHOR-HANDLING/ SUPPLY VESSELS

	TOTAL	of which North Sea	Over 7,000 bhp
Ocean Inchcape	8	6	2
Offshore Marine	12	8	1
Seaforth Maritime	12	12	7
Star Offshore	3	3	2
Wimpey Marine	5	5	2*

* Plus two on order

Source: "A European Review of Offshore Craft, 1980-83," Derrick Offshore, 64/65, Grosvenor Street, London W1.

Hand tool makers face further difficult year

BY JAMES McDONALD

THE BRITISH hand-tool manufacturing industry, after a poor 1979, expects 1980 to be another difficult year. Exporting is expected to suffer from the strong pound while in the domestic market the consumer will have less to spend and will be attracted by an increasing volume of imports.

Last year, the industry's favourable balance of trade shrank from £30.5m in 1978 to £8.3m. Of the home market, estimated to be worth just under £200m, imports accounted for 46.6 per cent.

Mr. G. W. Ward, president of the Federation of British Hand Tool Manufacturers and executive director of James Neill Holdings, told the federation's annual meeting on Friday: "There are not many markets outside the EEC where we are not facing a higher tariff rate than we apply on a reciprocal basis."

Manufacturers needed to gain a higher share of the UK domestic market and to take greater advantage of the EEC markets, particularly in France and Germany where there was a huge market for quality tools. Unfortunately he admitted, "we just have not the productivity to match our high wages and beat the price barrier."

The industry must find some way this year of sustaining increased productivity, he said.

Insurers face tax snag

BY ERIC SHORT

THE LIFE OFFICES Association faces a crucial decision today on whether to protest the Inland Revenue about the extra tax bill facing some member-companies on their unit-linked business.

The Finance Bill proposes that in future unit trusts should not pay capital gains tax on their investments, but that instead unit-holders be liable for full capital gains tax liability when they cash in their holdings. These unit-holders will have the first £3,000 of gains free of the tax.

Where regular investment is made in unit trusts by means of a life policy, the life company is technically the holder of the units. So it is now liable for the full 30 per cent capital gains tax.

The life companies concerned hold a reserve for such tax liability, and make the appropriate charge to unit-holders against the amount paid on the cash-in of their policy.

Under the previous system unit trusts paid tax at 10 per cent and unit-holders were liable for the remaining 20 per cent.

Life companies have reserves to meet a potential liability based on 20 per cent. Now they must increase the reserve to allow for a 30 per cent tax. On future cash-ins the unit-holder will face a higher deduction.

Cash shortage 'will ease'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE OUTLOOK for company liquidity and for industry's financial position could be much less serious than is widely expected at present according to stockbrokers Phillips and Drew.

In their latest market review, the brokers suggest that this year should be much less difficult for company finances compared with 1979 because of the large scope for destocking.

Consequently the brokers suggest the increase in bank lending to industry will be less than last year.

Phillips and Drew estimates that the rise in the net bank borrowing will be £3.3bn this year compared with £4.4bn last year.

It is suggested that the deficit of industrial and commercial companies (even after excluding North Sea activies) will decline from £4.8bn last year to £3bn in 1980.

The change is more than accounted for by an expected switch from a £2.5bn rise in stock volumes to destocking of £1.5bn.

The firm says this could "give a significant boost to sentiment in the gilt-edged and equity markets."

Consumer spending will fall sharply for the rest of this year compared with the buoyant level of the first quarter, according to a firm of business advisers.

Staniland Hall Associates, in the latest issue of its quarterly "Consumer Spending Forecasts," estimates the volume of consumption rose by 1.3 per cent between the October-December period of last year and the first three months of 1980.

It forecasts a decline of 2½ per cent in the current quarter. The low point is not expected to be reached until the first quarter of 1981 when spending is projected to be 3½ per cent lower than in the first quarter of this year.

Spending is projected to decline by 0.6 per cent in 1980 compared with last year.

Staniland Hall, in contrast to the Treasury, expect real disposable incomes to decline and personal savings to rise.

Rail closure effects reported

By Lynton McLain

THE RESULT of closing local rail services has been a major switch to the use of cars rather than to local buses, says a report* commissioned by British Rail.

The report discovered that:

- Less than half of former rail-users switch to buses after lines are closed;
- That figure drops to one third after a short time; and
- Only one in three continue using the main line network after their branch is closed.

As a result of the closures BR lost "substantial passenger business," the report says.

A total 47 rural rail services were closed in the past decade. Most were proposed in the Beeching Report, 1963, but, since then, successive Governments approved withdrawal of 265 passenger services—a cut of nearly a third.

Nearly three quarters of people directly affected by closures have cut back or stopped completely activities they engaged in before closures. Inconvenience, even hardship, was caused to many people, the report says.

Car-ownership increased as a direct result of closures. The Policy Studies Institute, which wrote the report, based on studies in ten areas where lines closed, said it was obvious that "once a car has been acquired, use of public transport—local bus services and the remaining rail lines—slumped."

Closures discouraged people fro musing rail networks beyond the end of closed lines. Travel on these remaining lines is much ...lower than before closures.

Dr. Mayer Hillman and Ms. Anne Whalley, who wrote the report for BR, said that only a third of those who used to travel beyond the end of their branch lines at least several times a year do so now and the suggested loss to BR had been substantial.

The report says alternative bus services provide for only a minority of travel, to remaining local railheads. Closures cut demand for travel to these stations so much that the few passengers create insufficient demand to warrant buses detouring to the stations.

More important, the report says that demand is so low that bus operations have no justification for varying established time-tables to match rail time-table changes.

The report suggests that trains which mainly serve rural communities should be considered as a mode of transport in their own right, with financial, managerial and operational standards which are not necessarily those of th primary rail network.

Sir Peter Parker, chairman of BR board, is trying to persuade the Government that railways should be considered in two parts—non-commercial, socially essential railways, such as rural and commuter services, and potentially commercial freight network and Inter-City services.

The report warns that the Transport Bill, designed, among other things, to encourage car-sharing, might reduce still further the viability of buses; and criticises local authorities for failing to monitor effects of rail closures.

* "The Social Consequences of Rail Closures." Policy Studies Institute, 1-2, Castle Lane, London SW1E 6DR. £4.50.

Fast-breeders 'curb atomic proliferation'

FINANCIAL TIMES REPORTER

THE BUILDING of fast-breeder reactors should make it harder for smaller countries and for terrorist groups to acquire nuclear weapons, says Sir Walter Marshall, deputy chairman of the UK Atomic Energy Authority.

Dr. Marshall, writing in the authority's journal, Atom, says fast-breeder reactors would make plutonium used in bombs more expensive.

He states that all reactors breed plutonium from uranium but points out that fast-breeders make it more slowly—despite their name—and use it to produce energy. Although fast-breeder reactors need large charges of plutonium to start up, the extra plutonium they produce can be kept within the power station and used for the preparation of new fuel.

Plutonium produced by existing nuclear reactors, on the other hand, has to be carefully safeguarded in spent fuel rods or else extracted and stored—a costly process. If it is re-used in the reactor it makes only a small addition to fuel stocks.

But Dr. Marshall says a fast-breeder will eventually produce enough extra plutonium to start up another fast reactor. This would take more than 30 years but in the meantime there would be a continuing demand for plutonium to refuel the original reactor and to start up any new ones.

Countries building fast reactors would, therefore, provide a market for the excess plutonium produced by those which had only thermal reactors.

Onshore oil production 'to reach 20,000 b/d'

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE Wytch Farm oil field in Dorset should boost Britain's onshore oil production to about 20,000 barrels a day by the mid-1980s, says a new study by stockbrokers Wood Mackenzie.

It adds that the rising price of oil, coupled with geological reappraisals, are generating renewed enthusiasm among oil companies for onshore exploration.

Provided sufficient acreage can be obtained, the next few years could open up a new chapter in onshore development.

Although small by comparison with Britain's North Sea output of 1.6m b/d, a prediction of 20,000 b/d is in line with the current production rates at some of the smallest UK offshore fields.

Wood Mackenzie estimates that onshore production in 1980 will average 5,000 b/d, of which 3,400 b/d will come from Wytch Farm, the British Gas-BP field which came into production last year.

It estimates that with recoverable reserves of 86m barrels, Wytch Farm will produce more than twice as much as all other onshore fields discovered so far.

Governments warned over public investment neglect

BY OUR ECONOMICS CORRESPONDENT

GOVERNMENTS of both parties are strongly criticised this morning for neglecting much-needed, public-sector capital investment.

That charge is made in a report by Mr. W. A. P. Manser, economic adviser to Baring Brothers, merchant bankers. It is the first in a series of research studies commissioned from independent economists by the Federation of Civil Engineering Contractors.

Mr. Manser highlights the contrast between a decline of nearly a fifth in public-sector capital investment between 1972 and 1978 and a simultaneous rise of more than 26 per cent in private-sector investment.

He notes that the public sector's financial resources are at all times earmarked in the first place for current spending rather than capital investment and "are most especially earmarked in this way when the economic situation requires a reduction in public-sector expenditure."

The report concludes that "public-sector projects appear to be carried out on the basis of ad hoc political choices, all overshadowed by a misallocation of finances.

"There appears to be little conception within Government of its responsibility for the infrastructure of the country as a whole and for the need for a deliberate and co-ordinated approach to the discharge of this responsibility."

Engineering authority backed

By James McDonald

THE Engineering Employers' Federation, with 6,500 members companies employing about 30,000 chartered engineers, supports the creation of a statutory engineering authority but only if the new body is kept small and financially independent.

In a submission on the Finniston Report on engineering to the Department of Industry, the Federation today welcomes the report's analysis of the UK's economic decline, but says that this cannot be blamed entirely on the performance of the engineering industry.

Even if all the report's recommendations were implemented, many problems would remain whose resolution would still depend on Government action in other directions.

The proposed new authority, the federation says, should have its governing body limited to 15 members, with about half of them being federation nominees.

Although supporting the registration of professional engineers, the federation insists that that should not be a pre-condition of employment in manufacturing industry.

It criticises the package of proposals aimed at restructuring the education and training of professional engineers.

Diluted beer check is under way

LOCAL AUTHORITIES are to step up checks on alleged watering of beer by licencees. Several counties are conducting full-scale investigations into beer adulteration.

Brewers and local councils are worried by fear that introduction of keg beer has not reduced adulteration as much as expected. Incidence of adulterated samples found by trading standards officers in tests has shown a steady increase in the past two years.

Areas particularly badly affected appear to be the West Midlands, West and South Yorkshire, Manchester, parts of Liverpool and East London. All types of beer have been watered, though evidence from West Yorkshire suggests that stronger beers have been tampered with more often there.

Mr. Peter Green, chairman of the Institute of Trading Standards Administration, has forecast progressiva stepping up of investigations into beer supplies. He believes that stricter regulations are inevitable, although he fears council spending cuts may have an effect on this type of work.

South Yorkshire is in the second of three years' investigation into beer supplies in public houses. Last year, of 873 samples 72 were found adulterated in some way.

Adulteration of beer is covered by the Trade Descriptions Act and the 1955 Food and Drugs Act. Trading standards officers say that malpractices tend to run in five-year cycles, and that beer-watering has re-started. Reintroduction of cask beer made it easier to interfere with the brew.

● **MILITANT LINE:** A call for a more militant attitude by textile employers' organisations in approaches to the Government to rescue the industry was made at the annual conference of the Federation of Textile Managers' Associations at Blackpool at the weekend by Mr. Harry Stephenson, the president.

"The polite way has not worked," he told the 250 delegates. "We need a much more militant attitude. If the miners can black imports of coal, why can we not black imports of textiles?" It was impossible for the industry to compete with cheap imports.

● **PRESS THREAT:** Electronic news presentation, and not the new breed of give-away newspapers, is the real enemy of the newspaper industry, Mr. Leon Reis said at the weekend. The provincial Press could suffer in the same way that the motor-cycle industry lost out to the Japanese while it fought among itself, Mr. Reis, editor of the free Surrey-Hants Star, told the Guild of British Newspaper Editors' conference in Cambridge.

● **PRISON WARNING:** Prisons could soon be in an "appalling" state of overcrowding, with four men in a 13 ft by 8 ft Victorian cell for 23 hours a day, prison governors said. There are 44,800 inmates in jails designed to hold 37,000.

● **PAY PROTEST:** Demands of the public sector for more money to pay higher wages to an increasing number of employees are holding back capital expenditure and harming the nation, says a report today by the Federation of Civil Engineering Contractors.

LABOUR NEWS

Union warns of Tory 'pillaging'

BY JOHN LLOYD

A STRONG attack on a range of government policies was yesterday made at the Union of Shop, Distributive and Allied Workers' annual conference which opened in Bournemouth.

Mr. Sydney Tierney, president of Britain's sixth largest union, told delegates the government was attacking working people and pillaging trade union rights.

"We have only just begun to pay the price," he warned.

However, his speech was careful to keep the way clear for the generally moderate policies on wages, hours, Labour Party democracy and new technology which the executive hopes to see adopted in the course of the week.

Mr. Tierney attacked:

● The Employment Bill as "unnecessary and unfair." It was "based on an industrial fantasy and it gives political licence to the further subjection of those least able to defend themselves."

● The "economic sanction" of unemployment, which was designed to force obedience to government policies. "We are being driven to the edge of a precipice by a government which first seeks to weaken us. It gives us the push, then tells us it's our fault if we go over."

● Public expenditure cuts "because they were "the way the less well off pay for tax discounts to the better off."

In elections to the 26-strong union delegation to the TUC and to the 18-strong delegation to the Labour Party conference, left-wingers claimed they had increased their representation, though the delegations are still dominated by moderates.

Mrs. Audrey Wise, the former left-wing MP who lost her seat at the last election, topped the list of members elected to the Labour Party conference delegation.

BBC cuts campaign

BY PAULINE CLARK, LABOUR STAFF

TWO LEADING media unions launched a stepped-up campaign this weekend against cuts in BBC staff and services, saying that industrial relations had reached their lowest point in the corporation.

The Association of Broadcasting Staff, representing more than half the 25,000 BBC staff, said that the latest £130m cuts decision would not be the last, in view of the rate of inflation.

As the National Union of Journalists and the association published a joint campaign paper pointing to "spectacular" BBC productivity in the past ten years, Mr. Eric Stoves, ABS chairman, said a fight has to be sustained "to save the BBC in spite of itself."

He told delegates at the ABS annual conference at Hastings that while the 1970s had seen increasing problems at the BBC, with diminishing finance in real terms, the 1980s crisis set different parameters.

"On the one hand is the present Government imposing its restrictive policy of cash limits on the BBC—a Government which ruthlessly intends a massive shift of resources from the public to the private sector of the broadcasting industry.

"On the other hand there is an effete BBC management that has publicly acquiesced to this policy, and seems to be intent on frittering away the heritage bequeathed to it by its predecessors."

It was doubly unfortunate, he said, that at a time when the BBC and the ABS should be working together to solve financial problems, industrial relations had never been worse.

In their joint pamphlet calling for support in fighting the cuts the unions say the £34 TV licence fee is the lowest in Europe for networks not subsidised by advertising, so that between 1969 and 1979 BBC income had declined while output increased.

Scargill call for action

BY OUR LABOUR STAFF

MR. ARTHUR SCARGILL, Yorkshire miners' leader, has called for a "massive response" from miners and all workers in Britain to the TUC's "Day of Action" against Government economic policy on May 14.

The aim, he said, was to force an early general election and the return of a Labour Government. Workers who did not take part would be seen, by implication, as supporting the present Prime Minister.

Mr. Scargill made his call at Prestwick, Scotland, during a week-end visit to the mining area of South Ayrshire, where he was campaigning on behalf of Labour candidates in the May 1 local elections.

Mr. Les Wood, general secretary of the Union of Construction, Allied Trades and Technicians, said the union would give its full support to the TUC "Day of Action."

Records for American art

SALEROOM

BY ANTHONY THORNCROFT

THE STRONG recent demand for American paintings was maintained at Sotheby Parke Bernet in New York on Friday. An auction devoted to them totalled $6,963,750 (£3,054,276). There were many artist records, including the top price of $300,000 paid by a New York dealer for "Indian encampment, late afternoon" by Albert Bierstadt. It was also a record for any Western painting.

Other records were the $250,000 for another Western scene, "The war party" by Charles Russell, and the $305,000 for "October sundown, Newport" by Frederick Hassam: this was also a new high for an American Impressionist painting.

The $175,000 for "Autumn Leaves," painted in 1927 by Georgia O'Keeffe, was not only an artist's record but is also believed to be the highest price ver paid for a picture by a woman painter.

The $165,000 which secured Winslow Homer's "Orange trees and gate" is a record for an American watercolour.

FT GROCERY PRICES INDEX

Fresh food dearer than expected

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES Grocery Prices Index maintained its steady rise this year with a 1.4 per cent increase in April.

The April index stood at 125.94 compared with 124.18 in March. The rise in the cost of the FT shopping basket was mainly due to increases in the cost of fresb fruit and vegetables, meat, and canned goods.

The cost of the fresh fruit and vegetable section of the basket bad been expected to fall, due to the recent spell of fine weather which sbould have made supplies plentiful.

However, as the British Farm Produce Council points out, "bome-grown fruits and vegetables are not yet generally to be found.

The cost of fresh vegetables in the FT shopping basket early — and expensive — new potatoes being included.

The fresh meat sector of the basket has also risen, due to a sbarp rise in the price of beef. There were rises of between 6p and 30p per pound of topside beef reported.

But the rise in canned goods for the second month running reflects the after-effects of the steel strike on tinned food supplies. Canned goods are normally the most price stable items in the basket since they are the groceries which are usually heavily discounted by supermarket chains.

However, the shortage of canned foods arising from the 13-week-old steel strike bas obviously led to higher retail prices.

With supplies getting back to normal within the next few weeks, the price of canned food is likely to return to its previous stability.

The dairy section of the basket has also risen slightly, mainly due to rises in the price of New Zealand and Danish butter.

Although the bread section was slightly lower in price this month, this will almost certainly rise next month when the 2½p price rise for a standard loaf of bread implemented by the big bakers is reflected in the basket.

A longer-term threat to increased food prices will come from the present negotiations in Brussels for a new round of farm price rises. If the UK Government agrees to the new increases, the effects will begin to be felt in the shops later this year.

	April £	March £
Dairy produce	621.72	620.08
Sugar, tea, coffee, soft drinks	194.82	195.48
Bread, flour and cereals	279.97	280.86
Preserves and dry groceries	100.11	99.27
Saucese andt pickles	48.23	47.68
Canned goods	185.57	182.30
Frozen foods	221.95	220.37
Meat, bacon, etc. (fresh)	524.58	511.94
Fruit and vegetables	275.73	257.95
Non-foods	224.98	223.64
Total	2,677.66	2,639.57

Index for April: 125.94

1979: January 108.54; February 108.65; March 109.12; April 110.88; May 113.59; Juno 116.02; July 114.79; August 114.16; September 114.17; October 114.95; November 116.36; December 118.74.

1980: January 120.47; February 122.32; March 124.18; April: 125.94.

At present, food price rises are running at a rate slightly lower than the general increase in retail price inflation. However, as Mr. James Cleminson, president of the Food Manufacturers' Federation warned earlier this month, food prices are soon likely to rise by at least the same rate as retail prices generally.

This continued pressure on food prices is forcing the major supermarket chains to diversify into non-food product areas which earn higher profit margins and where demand is not so price-sensitive.

This diversification strategy will be the main theme of today's annual conference in Brighton of the Institute of Grocery Distribution.

The FT Grocery Prices Index gives an indication of the trend in food prices, rather than acting as an absolute indicator of particular price levels.

It is based on data collected each month by 25 shoppers who monitor the same list of 100 items in the same shops. The shops chosen range from superstores to small village grocers throughout the UK.

Application has been made to the Council of The Stock Exchange for the whole of the ordinary share capital of the Company issued and now to be issued to be admitted to the Official List.
On 31st March, 1980 the Company entered into an Agreement ("the Acquisition Agreement") to acquire the whole of the issued share capital of The Regent Autocar Company, Limited ("Regent"). The Acquisition Agreement is now conditional only upon the granting by the Council of The Stock Exchange of the application referred to above. This document has been prepared on the basis that Regent has already become a wholly-owned subsidiary of the Company and that certain matters which have been agreed to take effect thereon have already taken effect. Accordingly, references herein to subsidiaries of the Company include Regent and its subsidiaries. The Company and its present subsidiaries and Regent and its subsidiaries are sometimes herein referred to as "the Enlarged Group". On completion of the acquisition of Regent, the present Directors, except Mr. J. V. Woollam, will resign and the Board of Directors will be reconstituted as shown below. Accordingly, references herein to "the Directors" are references to the Board as so reconstituted.
This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to the Enlarged Group. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

LONDON AND LIVERPOOL TRUST LIMITED

(Incorporated in England under the Companies Acts 1948 to 1967) (Registered in England No. 1103303)

SHARE CAPITAL

Authorised		Issued and now to be issued fully paid
£800,000	in ordinary shares of 10p each	£601,667.50

BORROWINGS

On 7th April, 1980, Regent and its subsidiaries ("the Regent Group") had outstanding secured bank borrowings of £691,438, secured loans of £214,663, unsecured loans of £43,650 and hire purchase commitments of £134,032. Save as mentioned herein and apart from current, deposit and other accounts payable in the ordinary course of the business of Stewart Salmon and Company Limited and apart from intra-group borrowings and intra-group guarantees, neither the Company nor any of its subsidiaries had at that date any loan capital (including term loans) outstanding, or created but unissued, or any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, or guarantees or other material contingent liabilities.

This document is issued in connection with a Placing by

Keyser Ullmann Limited

of

1,000,000 ordinary shares of 10p each of the Company at 29p per share

The ordinary shares now being placed will not rank for the second interim dividend for the year ended 31st March, 1980 referred to below but will in all other respects rank *pari passu* with the existing ordinary share capital of the Company.

A proportion of the shares the subject of the placing has been allocated to the market. From this allocation, shares will be made available to brokers making application on behalf of their clients on the date of publication of this document.

Directors
RONALD AUSTIN SHUCK
Chadwick Grange, Chadwick Lane, Knowle, Solihull, West Midlands B93 0IS
(Chairman and Chief Executive)
JEFFERY HAL BONAS
The Old Rectory, Stanton, Near Broadway, Gloucestershire WR12 7NE
ALAN TODD
34, Lakeside, Wickham Road, Beckenham, Kent BR3 2LX
JOHN VICTOR WOOLLAM
3, South Hill Grove, Oxton, Birkenhead, Marseyside

Secretary and Registered Office
JOHN TODD
6, Caer Street, Swansea, SA1 3PS

Financial Advisers
KEYSER ULLMANN LIMITED
25, Milk Street, London EC2V 8JE

Stockbrokers
ROY JAMES & CO.
Stock Exchange Buildings
33, Great Charles Street, Queensway, Birmingham B3 3JS

Bankers
To the Company:— BARCLAYS BANK LIMITED
251, Regent Street, London W1R 8AB
To Regent:— BARCLAYS BANK LIMITED
10, High Street, Solihull, West Midlands B91 3TE

Solicitors
To the Company:— SLAUGHTER AND MAY
35, Basinghall Street, London EC2V 5DB
To the Company:— MARTIN BOSTON & CO.
70, Gloucester Place, London W1H 4AJ
To Regent:— EVERSHED & TOMKINSON
10, Newhall Street, Birmingham B3 3LX

Auditors to the Company and Reporting Accountants
SPICER AND PEGLER (Chartered Accountants)
St. Mary Axe House, 56/60, St. Mary Axe, London EC3A 8BJ

Registrars and Transfer Office
KEYSER ULLMANN REGISTRARS LIMITED
3, Bevis Marks, London EC3A 7HY

HISTORY AND BUSINESS

1. The Company

The Company was incorporated in England as a private company on 22nd March, 1973 and was converted into a public company on 4th April, 1973. A listing for the whole of its share capital was obtained in April, 1973. The Company was formed to invest principally in public listed companies having a market capitalisation of £15 million or less. The Company has been approved by the Inland Revenue as an Investment Trust for the purposes of the Income and Corporation Taxes Act 1970 (as amended) for all periods up to 31st March, 1979, but it is unlikely that it will be so treated in respect of the periods since that date. In March, 1975, a subsidiary of the Company, now called Stewart Salmon and Company Limited ("Stewart Salmon"), acquired the banking undertaking previously carried on by another company under that name. In July, 1977 Schlesinger Investment Management Services Limited, a subsidiary of SEI Limited, was appointed as investment advisers to the Company and the investment policy was changed with a view to the concentration of the investment portfolio in investment and financial trusts.

At present the investment portfolio of the Company comprises investments principally in investment and financial trusts in the United Kingdom and the balance in United Kingdom government securities. The activities of Stewart Salmon, which is being managed by Portman Estates of Hanover Square Limited, also a subsidiary of SEI Limited, have been curtailed; no application has been made to obtain a licence for Stewart Salmon under the Banking Act 1979.

On 3rd March, 1980 the listing of he ordinary share capital of the Company was temporarily suspended by the Council of The Stock Exchange at the request of the Board of Directors. Details of the proposed acquisition of the share capital of Regent were sent to shareholders of the Company on 31st March, 1980 and on 22nd April, 1980 a resolution approving the acquisition was passed by the Company in general meeting. Details of the Acquisition Agreement are set out in paragraph 3 of "Statutory and General Information" below.

2. The Regent Group

Regent was incorporated in England on 14th July, 1923 as a private company to take over an existing business of motor engineers and agents carried on at its premises at Leicester Road, Market Harborough, Leicestershire. Regent established a garage business at Coventry Road, Market Harborough in the 1930s and commenced an engineering business there in 1940. It acquired a further garage at Kibworth, Leicestershire in 1946. In August 1978 Regent purchased the business and assets of the company then named Hiatt & Company Limited and in March, 1979 it acquired 51.6 per cent. of the share capital of Toney Cox Limited ("Cox").

The business of the Regent Group may be split into two divisions as follows:—

Engineering division

This division comprises the business acquired from Hiatt & Company Limited, now carried on by Regent under the name "Hiatt and Co", and the Coventry Road engineering business. Hiatt and Co, which operates from premises in Birmingham, Tamworth and Sheffield, manufactures and distributes a range of police and security equipment; other products include lead-headed wall nails, agricultural and veterinary equipment and karabiners. The Coventry Road business carries out specialised precision machine engineering.

Motor division

This division comprises (a) main dealerships for BL cars including Austin, Morris, Triumph and Rover, a retail dealership for Land Rovers and a distributorship for Aston Martin, all of which are conducted from the Leicester Road premises in Market Harborough; (b) a dealership for BMW cars which are sold from the Kibworth premises and (c) a retail dealership operated by Cox for Lada cars from premises in Birmingham. Agreement in principle has been reached to convert the Lada retail dealership into a main dealership. A new subsidiary is in the course of formation under the name Toney Cox Car Sales Limited in which Regent will have a 52 per cent. interest and which will in future conduct from premises in Sparkhill, Birmingham the new and second-hand car sales business at present conducted by Cox.

Servicing facilities are provided at all locations and petrol is sold by Regent from two sites in Market Harborough and one in Kibworth. Regent has recently established a Unipart franchise at Market Harborough.

BOARD OF DIRECTORS

On completion of the acquisition of Regent the Board of the Company will be Mr. R. A. Shuck, the Chairman of Regent, Mr. J. H. Bonas, the Managing Director of Regent, Mr. A. Todd and Mr. J. V. Woollam.

Mr. Shuck, aged 42, who will be Chairman and Chief Executive of the Company, is a director of a number of private companies whose activities include the manufacture and marketing of proprietary engineering products, and was Chairman and Chief Executive of three publicly listed companies namely Cornwall Property (Holdings) Limited, Maidenhead Investments Holdings Limited and MPI Limited (now called Forward Technology Industries Limited). He became Chairman of Regent in March, 1978.

Mr. Bonas, aged 36, has been Managing Director of Regent since March, 1978. He has a background of experience in industrial companies and will become a full time executive director of the Company.

Mr. A. Todd, aged 50, has wide experience of industrial and financial management with specific overseas involvement; he will become an executive director of the Company.

Mr. Woollam, aged 52, who has been Chairman of the Company since March, 197[illegible], will continue as a non-executive director of the Company.

MANAGEMENT AND STAFF

In addition to Mr. Bonas the executive directors of Regent are as follows: Mr. C. Reeves, aged 46, the Financial Director, who joined Regent in 1962; Mr. B. C. Cripps, aged 44, who joined Regent in 1957 and has been Sales Director (Motor Division) since 1968; Mr. C. T. Cox, aged 44, who was appointed to the Board of Regent in October, 1979, and has been a director of Cox since its incorporation in 1972; Mr. H. H. La Trobe, aged 67, who was for many years Managing Director of the company which owned the business of Hiatt and Co until he sold his controlling interest in 1973. Following the acquisition by Regent of the Hiatt and Co business in 1979 Mr. La Trobe was appointed to the Board of Regent to manage the Hiatt and Co business.

Neither Mr. Shuck nor Mr. Bonas has any written contract of service with Regent. Mr. Reeves, Mr. Cripps and Mr. La Trobe have contracts of service with Regent, in the case of Mr. Reeves and Mr. Cripps for a fixed term of five years from 15th March, 1978, and in the case of Mr. La Trobe for a term of five years from 1st January, 1979, and thereafter subject to three months' notice on either side. Mr. Cox has a service agreement with Cox for a fixed term of five years from 21st March, 1979.

The Directors of Regent are supported by a staff of 193 of whom 97 are employed in the Engineering division and 96 in the Motor division. The Company and its subsidiaires, other than the Regent Group, have no employees.

PROFITS AND ASSETS

It has been the practice of the Company to publish consolidated financial information including for this purpose its wholly-owned subsidiary, London and Liverpool Finance Limited. Financial information relating to Stewart Salmon, also a wholly-owned subsidiary of the Company, has been excluded from such consolidation under the provisions of Section 151 (2) of the Companies Act 1948. There is set out below under the heading "Financial Information relating to the Company" information based on the consolidated profit and loss accounts of the Company and its consolidated subsidiary for the five years ended 31st March, 1979 and the consolidated balance sheet at that date. Separate financial information based on the profit and loss accounts of Stewart Salmon for the period from 11th December, 1974 (the date of its incorporation) to 31st March, 1979 and its balance sheet at 31st March, 1979 are shown separately under that heading. There is set out below under the heading "Accountants Report on the Regent Group" a report by Spicer and Pegler, Chartered Accountants, the auditors of the Company, on the profits and on the source and application of funds of the Regent Group for the five years ended 30th September, 1979 and the consolidated balance sheet of the Regent Group at that date.

The consolidated profits before tax of the Company and its consolidated subsidiary for the year to 31st March, 1979 amounted to £41,000.

The consolidated profits before tax of the Regent Group for the year to 30th September, 1979 amounted to £185,000 as compared with £70,000 in the previous year. The substantial increase in profits arose mainly as a result of a full year's contribution from Hiatt and Co, which achieved profits before tax of £119,000. In the previous year Hiatt and Co was only included for the seven weeks from the date of its acquisition, and contributed profits before tax of £23,000.

At 31st March, 1980 the consolidated net tangible assets of the Company (taking quoted investments at middle market value but without attributing any value to the investment in the share capital of Stewart Salmon), based on unaudited management figures, were £646,400. This figure is after deducting the second interim dividend referred to below, but it does not take into account corporation tax which would be payable on capital gains realised if the investment portfolio were sold (estimated at £10,600).

At 30th September, 1979, as shown in the Accountants Report, the consolidated net tangible assets of the Regent Group amounted to £532,000.

There is set out below a pro forma statement of the net tangible assets of the Enlarged Group which shows on the basis stated therein net tangible assets of £1,028,000. This figure reflects the net tangible assets of the Company at 31st March, 1979, which amounted to £617,000 (taking quoted investments at cost). If for this figure there were substituted the figure of £646,400 mentioned above, the consolidated net tangible assets of the Enlarged Group would be £1,057,400 or 17.6p per share in the enlarged share capital.

DIVIDENDS

The Company is paying a second interim dividend of 0.7p per share net in respect of the year ended 31st March, 1980 on the 3,250,000 ordinary shares of 10p each in issue prior to the acquisition of Regent which, together with the first interim dividend of 0.14p per share already paid, totals 0.84p net, equivalent with a tax credit of three-sevenths to 1.2p gross. The second interim dividend is to be paid on 28th April, 1980 to shareholders on the Register of Members on 21st April, 1980. The 2,786,675 ordinary shares of 10p each of the Company to be issued to the vendors of Regent credited as fully paid will not rank for this divdend. It is not intended to recommend any further dividend in respect of the year ended 31st March, 1980. The vendors of Regent will have received an interim dividend totalling £27,500 gross in respect of Regent's current financial year beginning 1st October, 1979 prior to the acquisition of Regent by the Company; they will not be entitled to any further dividend on their Regent shares.

The decisions of the Directors in relation to dividends for the year ending 31st March, 1981 must await results for that year but, if the consolidated profits for the year ending 31st March, 1981 in total were equal to those achieved by the Company in the year ended 31st March, 1979 and those achieved by the Regent Group in the year ended 30th September, 1979, the Directors would expect to recommend net dividends totalling not less than 1.4p per share in respect of the year ending 31st March, 1981 which, with the tax credit at the present rate, would be equivalent to 2p gross per share. It is expected that an interim dividend in respect of the year will be paid in or about February, 1981.

THE FUTURE

The Directors are confident that the diversified interests of the Regent Group together with the financial resources of the Company will provide a sound base for further expansion both by internal growth and acquisition. The Directors intend to realise the current investment portfolio of the Company in due course.

FINANCIAL INFORMATION RELATING TO THE COMPANY

The following information regarding the Company and its consolidated subsidiary and concerning Stewart Salmon is based on audited accounts for the years or periods stated.

1. Consolidated Profit and Loss Accounts

	Year ended 31st March 1975 £000's	1976 £000's	1977 £000's	1978 £000's	1979 £000's
Income					
Investments	3	9	19	37	40
Short term deposits	19	6	6	5	8
Discount on treasury bills	26	13	9	—	4
Share dealing	(1)	3	—	—	—
	47	31	34	42	52
Expenses	7	9	11	10	11
Profit before taxation	40	22	23	32	41
Taxation	20	9	8	13	14
Profit after taxation	20	13	15	18	27
Extraordinary items	—	—	—	—	3
Profit after taxation and extraordinary items	20	13	15	18	24
Dividends	15	9	11	15	20
Retained profits	5	4	4	4	4

2. Consolidated Balance Sheet at 31st March, 1979

	£000's	£000's
Quoted investments at cost (middle market value—£503,280)		425
Investment in Stewart Salmon not consolidated		8
Current Assets		
Short term deposits	105	
Cash at bank	12	
Debtors	33	
Amounts due from Stewart Salmon not consolidated	46	
Taxation recoverable	14	
	210	
Current Liabilities		
Proposed dividend	16	
Creditors	3	
Current taxation	7	
	26	
Net Current Assets		184
		617
Financed by:		
Issued share capital		325
Share premium account		310
Revenue reserves		23
Capital deficit (note)		(41)
		617

Note: The balance on capital deficit account constitutes accumulated losses less profits on the disposal of investments and upon the revaluation of the Company's interest in Stewart Salmon.

3. Profit and Loss Accounts of Stewart Salmon

	Period from 11th December, 1974 to 31st March, 1976 £000's	*Year ended 31st March* 1977 £000's	1978 £000's	1979 £000's
Income				
Interest receivable	26	21	8	18
Commission and fees received	11	8	1	—
Dividends received (gross)	1	1	—	—
Profit on share dealing (loss)	(2)	(3)	1	—
Rent receivable	—	—	—	11
	36	28	8	29
Less interest payable	19	14	4	14
	17	14	4	15
Management expenses	31	31	26	22
Payment to terminate service agreement	—	15	—	—
Loss for the period	(14)	(32)	(22)	(7)
Taxation recoverable	7	2	8	3
Deficit for [illegible]	(7)	(30)	(16)	(4)

4. Balance Sheet at 31st March, 1979 of Stewart Salmon

	£000's	£000's
Current assets		
Cash at bank	3	
Money at call and short notice	82	
British Government Stocks	[illegible]	
Advances to customers and other accounts receivable	79	
	165	
Current liabilities		
Current, deposit and other accounts payable	111	
Amount due to the Company	46	
Amount due to fellow subsidiary	1	
	158	
Net current assets		7
		7
Financed by:		
Issued share capital		65
Reserves		(58)
		7

ACCOUNTANTS REPORT ON THE REGENT GROUP

The following is a copy of a report on the Regent Group received from the Company's auditors, Spicer and Pegler Chartered Accountants:—

The Directors,
London and Liverpool Trust Limited,
6 Caer Street,
Swansea SA1 3PS.

Spicer and Pegler,
St. Mary Axe House,
56/60 St. Mary Axe,
London EC3A 8BJ.
31st March, 1980

Gentlemen,

We have examined the audited accounts of The Regent Autocar Company, Limited ("Regent") for the five years ended 30th September, 1979 and of its subsidiary, Toney Cox Limited (together the "Regent Group") from the effective date of acquisition.

The business and assets of the company then called Hiatt & Company Limited were acquired by Regent on 11th August, 1978 and this business now operates under the name of Hiatt and Co. as a division of Regent. A controlling interest in Toney Cox Limited was acquired on 21st March, 1979 but with effect from 1st October, 1978.

The auditors of the Regent Group throughout the period under review have been as follows:—

Regent and Regent Group	
1st October, 1974—30th September, 1977	Coopers & Lybrand, Northampton.
1st October, 1977—30th September, 1978	D. R. Young & Co., Redditch.
1st October, 1978—30th September, 1979	D. R. Young & Co., Redditch and Robson Rhodes, Birmingham.
Toney Cox Limited	
1st October, 1978—30th September, 1979	H. H. Sherwood & Co., Birmingham.

The summarised profit and loss accounts, balance sheets and statements of source and application of funds set out below are based on the audited accounts after making such adjustments as we consider appropriate. They have been prepared under the historical cost convention modified by the inclusion of freehold properties at valuation.

1. Accounting policies

The figures in respect of earlier years have been restated, where necessary, in accordance with the principal accounting policies currently employed by the Regent Group.

(a) *Depreciation*

Depreciation is not provided on freehold buildings: the effect of this non-compliance with the Statement of Standard Accounting Practice Number 12 is considered by the directors of Regent not to be material in the context of the profits or net assets of the Regent Group for the period under review.
In respect of other fixed assets, depreciation is provided as follows:

Short leasehold property	10% on cost
Plant and equipment	12½% on reducing balance
Motor vehicles	to write down to estimated ultimate disposal value by reference to annual movement on disposal value.

(b) *Stocks and work in progress*

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and attributable production overheads.
Cars for resale are stated at the lower of cost and net realisable value.

(c) *Deferred taxation*

Provision is made for the liability to corporation tax which may arise in the foreseeable future.
Deferred taxation is provided in respect of the excess of the net book value of those assets for which capital allowances are claimed over the corresponding written down value for taxation purposes. No provision is made in respect of potential tax liabilities which might arise in the event of realisation of revalued properties.
Provision for future taxation arising on stock appreciation relief is made only against the relief for the year ended 30th September, 1979 as, in the opinion of the directors of Regent, the value of stocks in the foreseeable future is unlikely to fall below the level at 30th September, 1978.

2. Profits

A summary of the adjusted profit and loss accounts of the Regent Group for the five years ended 30th September, 1979 is set out below.

	Note	*Year ended 30th September* 1975 £000's	1976 £000's	1977 £000's	1978 £000's	1979 £000's
Turnover	(ii)	1,348	1,532	1,782	2,318	4,750
Cost of sales	(iii)	1,324	1,520	1,773	2,251	4,566
Trading Profit		24	12	9	68	184
Other income		3	3	2	2	1
Profit before taxation		27	15	11	70	185
Taxation	(iv)	18	(13)	(10)	11	100
Profit after taxation and before extraordinary item		9	28	21	59	85
Extraordinary item	(v)	—	—	—	9	—
Profit after taxation and extraordinary item		9	28	21	50	85
Dividends	(vi)	3	2	2	—	30
Minority interests		—	—	—	—	3
		6	26	19	50	52

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Notes—

(i) The above figures include the following results of Hiatt and Co.:—

	7 weeks to 30th September, 1978 £000's	Year to 30th September, 1979 £000's
Turnover	73	743
Cost of sales	50	625
Trading profit	23	118
Other income	—	1
Profit before taxation	23	119

(ii) Turnover represents sales invoiced to third parties excluding value added tax.

(iii) Cost of sales includes

	1975 £000's	1976 £000's	1977 £000's	1978 £000's	1979 £000's
	Year ended 30th September,				
Interest:					
Bank and hire purchase	15	19	25	22	60
Loan	10	9	8	6	14
Hire of plant and machinery	—	—	—	2	18
Depreciation	9	10	14	11	26
	34	38	47	41	118

(iv) Taxation

	1975 £000's	1976 £000's	1977 £000's	1978 £000's	1979 £000's
	Year ended 30th September,				
Current taxation	—	—	—	—	—
Transfer to/(from) deferred taxation	18	(13)	(10)	11	100
	18	(13)	(10)	11	100

Although the Regent Group has made profits during the period, no corporation tax has been payable due to available tax losses and stock appreciation relief. The taxation charges include a transfer from deferred taxation in 1976 and 1977 and a reduced transfer to deferred taxation in 1979. This results from the accounting policy of the Regent Group which recognises tax losses, created mainly by stock appreciation relief (available for set-off against future taxable profits), while not providing for the liability for taxation of the stock appreciation relief itself for periods prior to 30th September, 1979.

(v) The extraordinary item in 1978 comprised payments to retiring executives amounting to £8,020 and general reorganisation expenses amounting to £650.

(vi) Dividends

	1975 £	1976 £	1977 £	1978 £	1979 £
	Year ended 30th September,				
4.2 per cent. cumulative preference shares	328	328	328	328	328
Ordinary shares	2,600	2,080	2,112	—	30,000*

*This represents a dividend of £1.875 per share on the 16,000 ordinary shares of Regent.

3. Balance sheet

The adjusted balance sheets of the Regent Group and Regent at 30th September, 1979 are set out below.

	Note	Regent Group £000's	Regent Group £000's	Regent £000's	Regent £000's
Fixed assets	(i)		514		490
Goodwill	(ii)		26		26
Investment in subsidiary	(iii)		—		5
Current assets					
Stocks and work in progress	(iv)	621		585	
Debtors		445		413	
Bank and cash		36		1	
		1,102		979	
Current liabilities					
Creditors		348		294	
Short term loans	(v)	104		60	
Bank overdraft (secured)		455		427	
Taxation		7		7	
Dividends		30		30	
		944		818	
Net current assets			158		161
			698		682
Long term loans	(vi)	46		46	
Deferred taxation	(vii)	86	132	82	128
			566		554
Financed by:					
Share capital	(viii)		40		40
Reserves	(ix)		518		514
			558		554
Minority interest			8		—
			566		554

Notes:

(i) Fixed assets

	Regent Group Cost or Valuation £000's	Regent Group Depreciation £000's	Regent Cost or Valuation £000's	Regent Depreciation £000's
Cost:				
Freehold property	15	—	15	—
Short leasehold property	6	3	—	—
Plant and equipment	170	78	144	67
Motor vehicles	80	12	72	10
	271	93	231	77
Valuation				
Freehold property	365	—	365	—
Plant and equipment	35	4	35	4
	671	97	631	81
Accumulated depreciation	97		81	
	574		550	
Amounts due on hire purchase	60		60	
	514		490	

The principal freehold properties were valued on an open market basis as at 30th September, 1979 by James Andrew & Partners, Consultant Surveyors and Estate Agents. Certain plant and equipment obtained on the acquisition of Hiatt and Co. was valued at an open market price. The surplus arising on these valuations over book value has been credited to capital reserves.

(ii) Goodwill consists of legal and consultancy costs incurred on the acquisition of the business and assets of Hiatt and Co.

(iii) Investment in subsidiary represents Regent's 51.6 per cent. interest in Toney Cox Limited.

(iv) Stocks and work in progress

	Regent Group £000's	Regent £000's
Raw materials	66	66
Work in progress	45	45
Finished goods	183	159
Cars for resale	276	247
Petrol	51	48
	621	585

(v) Short term loans

	Regent Group £000's	Regent £000's
Bowthorpe Group—13 per cent. (repaid in January, 1980)	60	60
Other loans—no set repayment or interest terms	44	—
	104	60

Bowthorpe Group loan was guaranteed by Barclays Bank Limited. All other loans are unsecured.

(vi) Long term loans

Regent has a long term loan of £46,000 from Lombard North Central Limited. There is a £30,000 stocking facility and the balance of £16,000 represents a loan of £40,000 granted in 1973 and repayable by equal quarterly instalments of £1,000 each. Interest is charged currently at 2 per cent. above finance house rates. The loans are secured by way of a second charge which is fixed and floating on all assets of Regent and ranks *pari passu* with Barclays Bank Limited behind the first £450,000.

(vii) Deferred taxation

(a) The provision for deferred taxation at 30th September, 1979 comprised:

	Regent Group £000's	Regent £000's
Accelerated capital allowances	73	66
Stock appreciation relief	76	73
Unutilised tax losses carried forward	(56)	(50)
	93	89
Advance corporation tax recoverable	(7)	(7)
	86	82

(b) If provision had been made in full for all possible taxation liabilities, the deferred tax account would comprise the following:

	Regent Group £000's	Regent £000's
Accelerated capital allowances	73	66
Accelerated industrial building allowances	19	19
Stock appreciation relief	150	147
Rollover relief	4	4
Surplus arising on revaluation of fixed assets	65	65
Unutilised tax losses carried forward	(56)	(50)
	255	251
Advance corporation tax recoverable	(7)	(7)
	248	244

(viii) Share capital

The authorised and issued share capital of Regent at 30th September, 1979 comprised:

	£
Authorised:	
7,990 4.2 per cent. cumulative preference shares of £1 each	7,990
16,000 5 per cent. non-cumulative preference shares of £1 each	16,000
16,000 ordinary shares of £1 each	16,000
	39,990
Issued and fully paid:	
7,820 4.2 per cent. cumulative preference shares of £1 each	7,820
16,000 5 per cent. non-cumulative preference shares of £1 each	16,000
16,000 ordinary shares of £1 each	16,000
	39,820

On 10th January, 1979, Regent increased its authorised ordinary share capital from 25,000 ordinary shares of £1 each to 32,000 ordinary shares of £1 each, converted its 16,000 issued and fully paid ordinary shares into 16,000 5 per cent. non-cumulative preference shares of £1 each and issued the 16,000 unissued ordinary shares credited as fully paid by way of capitalisation of retained profits.

(ix) Reserves

	Regent Group £000's	Regent £000's
Capital reserve	223	223
Revenue reserves	295	291
	518	514

(x) Capital commitments

The Regent Group had, as at 30th September, 1979, contracted for future capital expenditure amounting to £129,000 which was not provided in the accounts. Of this amount £120,000 related to the purchase of the freehold of the premises occupied by Hiatt and Co. at Great Barr, Birmingham, which purchase was completed on 8th October, 1979. The property was valued by Widdowson & Co., Chartered Surveyors, at £130,000 on 12th February, 1980 on an open market basis.

4. Statement of source and application of funds

A summary of the adjusted source and application of funds of the Regent Group for the five years ended 30th September, 1979 is set out below.

	1975 £000's	1976 £000's	1977 £000's	1978 £000's	1979 £000's
	Year ended 30th September,				
Source of funds					
Profit before taxation, extraordinary items and minority interest	27	15	11	70	185
Items not involving the movement of funds:					
Depreciation	9	10	14	11	26
(Profit) on sale of fixed assets	—	—	—	—	(1)
Funds generated from operations	36	25	25	81	210
Funds from other sources					
Proceeds from sale of fixed assets	1	3	—	2	3
Loan in connection with the purchase of Hiatt and Co. (note (i))	—	—	—	175	—
Other loans	—	—	—	26	—
Minority interest in Toney Cox Limited at date of acquisition (note (ii))	—	—	—	—	5
Deferred taxation in Toney Cox Limited at date of acquisition	—	—	—	—	(1)
	37	28	25	284	217
Application of funds					
Loan repayments	(6)	(7)	(6)	(7)	(77)
Taxation paid	—	(2)	(1)	(1)	—
Dividends paid	—	(3)	(2)	(2)	—
Purchase of fixed assets	(25)	(15)	(25)	(57)	(123)
Purchase of goodwill	—	—	—	(15)	(12)
Payment to executives and general reorganisation expenses	—	—	—	(9)	—
Increase/(decrease) in working capital	6	1	(8)	189	5
Applied as follows:					
Stocks and work in progress	(5)	53	37	209	219
Debtors	1	(28)	31	83	231
Cash	(5)	—	—	1	35
	(9)	25	68	272	485
(Increase)/decrease in:					
Creditors	(11)	(6)	(6)	(97)	(228)
Bank overdrafts	26	(18)	(70)	14	(252)
	6	1	(8)	189	5

Notes:

(i) The net assets of Hiatt and Co. acquired by Regent during the year ended 30th September, 1978 were:

	£000's
Fixed assets	38
Net current assets	137
	175

(ii) The net assets of Toney Cox Limited attributable to the controlling interest acquired for cash by Regent during the year ended 30th September, 1978 were:

	£000's
Fixed assets	20
Net current liabilities	(10)
	10
Less: Minority interest	(5)
	5

5. Accounts

No audited accounts of the Regent Group have been made up for any period subsequent to 30th September, 1979.

Yours faithfully,
SPICER AND PEGLER
Chartered Accountants

PRO FORMA STATEMENT OF NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The following is based on the audited consolidated balance sheet of the Company at 31st March, 1979 and the audited consolidated balance sheet of the Regent Group at 30th September, 1979, adjusted only to reflect the acquisition by Regent, in October 1979, of the freehold premises at Great Barr, Birmingham. The purchase price of the property, £120,000, was financed by a loan, carrying an interest rate of 3½ per cent. above Barclays Bank Limited *base rate and is repayable in equal quarterly instalments over a five year period.*

	£000's	£000's
Fixed Assets		628
Quoted Investments at cost (middle market value—£503,280)		425
Investment in Stewart Salmon		8
Current Assets		
Stocks and work in progress	626	
Debtors	478	
Short term deposits	105	
Amount due from Stewart Salmon	46	
Taxation recoverable	14	
Cash at bank	48	
	1,317	
Current Liabilities		
Creditors	361	
Short term loans	94	
Bank overdraft	455	
Taxation	14	
Dividends	46	
	970	
Net Current Assets		347
		1,408
Long Term Loans	166	
Deferred Taxation	86	
Interest of Minority Shareholders in Cox	8	
		260
		1,148
Less: estimated expenses of the acquisition of Regent and re-listing (exclusive of V.A.T.)		120
Net Tangible Assets		£1,028

As at 31st March, 1980, the cost of quoted investments then held by the Company was £452,534 and the valuation of the portfolio, based on middle market quotations, was £476,943.

PREMISES

The following is a summary of the premises owned or occupied by the Regent Group:

Address	*Nature*	*Details with approximate site areas*	*Valuation*
Regent Leicester Road, Market Harborough	i) Showrooms (BL), offices, workshop, stores ii) Petrol station	i) Freehold—50,000 sq. ft. ii) Leasehold—20,500 sq. ft. Leased from National Benzole Company Limited for a term of 21 years from 16th November 1961 (with an option to renew for a further 21 years) on a petrol company lease (tied sales). Rent is £4,619 p.a. from 1st January 1980 for one year	Valued by James Andrew & Partners at £195,000 as at 30th September 1979 on an open market basis
115 and 117, Coventry Road, Market Harborough	i) Engineering workshops ii) Petrol station and M.O.T. testing	i) Freehold—16,500 sq. ft. ii) Leasehold—15,000 sq. ft. Leased from Mobil Oil Company Limited for a term of 3 years from 20th December 1979, on a petrol company lease (tied sales). Rent is currently £4,500 p.a. rising to £4,600 p.a. from 20th December 1980 for the third year	Valued by James Andrew & Partners at £85,000 as at 30th September 1979 on an open market basis
Harborough Road, Kibworth	Showrooms (BMW), workshop, stores and petrol station	Freehold—14,500 sq. ft.	Valued by James Andrew & Partners at £85,000 as at 30th September 1979 on an open market basis
111 to 115 (odd), Baltimore Road, Great Barr, Birmingham	Engineering workshops used by Hiatt and Co.	Freehold—34,500 sq. ft.	Valued by Widdowson & Co. at £130,000 on 12th February 1980 on an open market basis
Units 11 and 12 Tamworth Industrial Estate, Watling Street, Tamworth	Engineering workshops used by Hiatt and Co.	Leasehold—4,000 sq. ft. Leased from 25th March 1978 to 14th September 1980 at a rental of £2,805 p.a. *Regent does not have security of tenure under the Landlord and Tenant Acts*	—
1st Floor, Hutton Buildings, West Street, Sheffield	Engineering workshops used by Hiatt and Co.	Leasehold—1,900 sq. ft. Leased from 17th August 1971 to December 1977 at a rental of £475 p.a. The term having expired, Regent is presently holding over on the terms of the lease	—
111, Sheepcote Lane, Tamworth	*Private residence*	*Freehold*—Occupied by a retired employee	—
Cox 413, Warwick Road, Tyseley, Birmingham	Workshops, offices and stores	Leasehold—9,100 sq. ft. Leased for a term of 20 years from 1st December 1975. Rental is reviewable every 5th year and is currently £10,000 p.a.	—
Drayton Road, Shirley, Birmingham	Workshops	Leasehold—5,700 sq. ft. Leased for a term of 10 years from 1st March 1972 at a rental of £6,500 p.a.	—
Stratford Road, Sparkhill, Birmingham	Showrooms (Lada), petrol forecourt—petrol sales ceased in early 1979	Leasehold—17,500 sq. ft. Leased from Mobil Oil Company Limited. The lease expired in July 1978 and Cox currently has a temporary licence. Current rental is £2,000 p.a.	—

The Company and its subsidiaries (other than the Regent Group) do not own or occupy any premises.

STATUTORY AND GENERAL INFORMATION

1. Directors' Interests

(a) The interests of the Directors in the Company's share capital following the acquisition of Regent (all of which will be beneficial) are set out below:—

	Number of ordinary shares of 10p each
R. A. Shuck	107
J. H. Bonas	107
A. Todd	NIL
J. V. Woolfson	NIL

(b) It is not intended at present that any of the Directors will have a contract of service with the Company or any of its subsidiaries. It is expected that amounts payable by the Company and its subsidiaries in respect of the services of the Directors for the year ending 31st March, 1981, all of which will under present arrangements be payable to other corporate bodies, will not exceed £50,000.

(c) Save as disclosed herein no Director has or had any interest in any assets which have been within the last two years acquired or disposed of by or leased to the Company or any of its subsidiaries or are proposed to be acquired, disposed of by or leased to the Company or any of its subsidiaries. There are no contracts or arrangements in which a Director is materially interested and which are significant in relation to the business of the Company and its subsidiaries taken as a whole.

(d) Mr. Shuck and Mr. Bonas act as consultants to Castlebridge Limited, an Isle of Man investment company (one of the vendors of Regent) in connection with the management of its U.K. investments. Following the placing of 1,000,000 new shares of the Company, Castlebridge Limited will be interested in 1,571,602 ordinary shares of the Company which will represent 26.12 per cent. of the increased issued share capital.

(e) Mr. A. Todd, who is employed by a subsidiary of W & A Investment Corporation Limited, was until recently a Director of W & A Investment Corporation Limited, whose wholly-owned subsidiaries at present own or hold 970,000 ordinary shares of 10p each in the Company, which will represent 16.12 per cent. of the increased issued share capital.

(f) Mr. T. Soon Shiong, who will cease to be a director of the Company when the Acquisition Agreement becomes unconditional, is a director of London Consolidated Investments Limited, of S.E.I. Limited (the parent company of Schlesinger Investment Management Services Limited, which is the investment adviser to the Company) and of Portman Estates of Hanover Square Limited which manages Stewart Salmon. The investment advisory arrangement is terminable on one month's written notice given by either party, the adviser being entitled to a fee of ½ per cent. per annum calculated on the capital value of the portfolio excluding any holdings in Schlesinger managed funds. The agreement for the management of Stewart Salmon is terminable by either side by six months' written notice; at present fees are payable at the rate of £8,000 per annum. These fees are exclusive of V.A.T. Mr. M. R. Boston, who will also cease to be a director of the Company when the Acquisition Agreement becomes unconditional, is a partner in Martin Boston & Co., Solicitors to the Company, who will receive a fee from the Company in connection with the transactions referred to herein.

2. Other Substantial Interests

As at 21st April, 1980, the Company had been notified by London Consolidated Investments Limited that it is interested in 408,450 ordinary shares of the Company.

3. Acquisition Agreement

The Acquisition Agreement is dated 31st March, 1980 and is made between Castlebridge Limited, Mr. Shuck, Mr. Bonas, Mr. C. Reeves, Mr. B. C. Cripps, Mr. A. R. H. Fitt, Mr. W. L. Tillett, and Mr. G. E. Reeves (1) and the Company (2) and provides for the acquisition of the whole of the issued share capital of Regent for a consideration consisting of the allotment credited as fully paid to the vendors of 2,766,675 ordinary shares of 10p each. The Acquisition Agreement contains indemnities in respect of income tax, estate duty and capital transfer tax.

4. The Placing

Keyser Ullmann Limited, by a contract dated 22nd April, 1980 (see paragraph 8 (b) (iv) below), has agreed to purchase from Castlebridge Limited 1,000,000 ordinary shares of the Company at a price of 28½p per share. The purchase is conditional upon the Council of The Stock Exchange granting a listing for the whole of the share capital of the Company issued and now to be issued and upon completion of the acquisition of the share capital of Regent not later than 2nd May, 1980. The contract provides, *inter alia*, that the Company will pay the costs and expenses of and incidental to the application for a listing of the share capital of the Company issued and now to be issued, including accountancy and legal fees, the cost of printing and advertising, and capital duty on the increase in share capital of the Company and fees to Keyser Ullmann Limited and to Roy James & Co., the brokers to the Company.

5. Subsidiaries

The Company will, upon completion of the acquisition of the share capital of Regent (which will have been increased and reorganised prior to such completion), have the following subsidiaries all incorporated in England and wholly owned unless otherwise stated:

Name of Company	*Date of Incorporation*	*Issued share capital*
London and Liverpool Finance Limited	1st November, 1973	100 ordinary shares of £1 each
Stewart Salmon and Company Limited	11th December, 1974	65,000 ordinary shares of £1 each
The Regent Autocar Company, Limited	14th July, 1923	16,000 ordinary shares of 10p each 7,820 4.2 per cent. cumulative preference shares of £1 each 19,000 5 per cent. non-cumulative preference shares of £1 each 16,000 deferred shares of £1 each
Toney Cox Limited	16th February, 1972	5,000 ordinary shares of £1 each (51.6 per cent. owned by Regent)
Hiatt & Company Limited (non-trading)	25th May, 1978	2 ordinary shares of £1 each

6. Articles of Association

The Articles of Association of the Company contain, inter alia, provisions to the following effect:—

(a) Voting

Subject to any special rights or restrictions as to voting attached to any class of shares, on a show of hands every member present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him.

(b) Directors

(i) No share qualification is required by Directors.

(ii) The fees of the Directors shall be at an annual rate not exceeding £2,500 and such fees shall be divided amongst the Directors as they shall unanimously resolve or in default thereof equally. The Directors may also be paid by way of additional fees such further sums as the Company in general meeting may determine. Any Director who is appointed to any executive office or who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director may be paid, in addition to any Directors' fees, such remuneration by way of salary, percentage of profits or otherwise as the Directors may determine.

(iii) A Director shall not vote (or be counted in a quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interests, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company, except that he shall (in the absence of some other material interest as indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries: the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity by the giving of security; any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting thereof; any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital or of the voting rights available to members of the relevant company; any proposal concerning the adoption, modification, or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon the approval by the Board of Inland Revenue for taxation purposes.

(iv) *Where proposals are under consideration concerning the appointment (including fixing or varying the* terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested such proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting under (iii) above) shall be entitled to vote (and be counted in a quorum) in respect of each resolution except that concerning his own appointment.

(c) Borrowing Powers

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to procure (as regards subsidiaries so far as by such exercise they can procure) that the aggregate principal amount for the time being remaining undischarged of all moneys borrowed by the Group, being the Company and its subsidiaries for the time being, (exclusive of inter-group borrowings) shall not at any time without the previous sanction of an *ordinary resolution of the Company exceed three times the aggregate of the amount paid up or credited as paid* up on the share capital of the Company and the amount standing to the credit of the consolidated reserves of the Company and its subsidiaries (including any share premium account but excluding any reserves for taxation and after deducting any amount standing to the debit of profit and loss account) as shown by the latest audited consolidated balance sheet, adjusted as may be necessary in respect of any variation of paid up capital or any distribution made or any shares transferred (otherwise than within the Group) since the date of such balance sheet and so that for this purpose capital allotted shall be treated as issued. The borrowings for this purpose shall be deemed to include the issue of loan capital notwithstanding that it may be issued in whole or in part for a consideration other than cash. No such sanction shall be required to the borrowing of any sum intended to be applied in the repayment (with or without premium) of any moneys then already borrowed and outstanding and so applied within sixty days of the borrowing thereof.

The provisions of Section 185 of the Companies Act 1948 relating to the retirement and appointment of Directors attaining the age of 70 apply to the Company.

At present the Articles of Association of the Company provide that all moneys realised on the sale, transposition or realisation of the Company's investments or of any other property or assets of the Company in excess of the book price thereof and all other moneys in the nature of accretions to capital, whether on sale of property or other capital investments or assets or otherwise, shall be capital moneys and shall be treated for all purposes as such, and not as profits available for dividend. This provision is suitable for an investment trust but, since the Company is ceasing to be an investment trust, a resolution will be proposed at the next Annual General Meeting to remove this provision from the Articles of Association.

7. Working Capital

The Directors are satisfied that, taking into account existing facilities and the Company's resources, the Enlarged Group will have sufficient working capital for its present requirements.

8. General

(a) The Directors are not aware of any litigation or claims of material importance pending or threatened against the Company or any of its subsidiaries.

(b) Apart from the Acquisition Agreement, the Directors are not aware of any contracts which have been entered into other than in the ordinary course of business within the two years immediately preceding the date of this document by the Company or any of its subsidiaries and which are or may be material except the following:—

(i) An Agreement dated 11th August, 1978 and made between Hiatt & Company Limited (1) Regent (2) Foxbridge Limited (3) and Bowthorpe Holdings Limited (4) and an Agreement supplemental thereto dated 14th June, 1979 and made between Hiatt & Company Limited (1) Regent (2) Foxbridge Limited (3) Bowthorpe Holdings Limited (4) Mr. Bonas (5) and Mr. Shuck (6), relating to the purchase of the business of Hiatt and Co. by Regent. The consideration paid, after certain adjustments under the supplemental Agreement, was £142,899.

(ii) A contract dated 8th October, 1979 and made between Hellerman Studfast Limited (1) and Regent (2) relating to the purchase by Regent of the freehold of 111 to 115 (odd), Baltimore Road, Great Barr, Birmingham for £120,000.

(iii) A certified extract from the Minute Book of Regent recording the terms of the acquisition by Regent of a *controlling interest in Cox on 21st March, 1979 by means of the subscription of shares for a sum of* £5,488.

(iv) An Agreement dated 22nd April, 1980 between Castlebridge Limited (1), Castlebridge Limited and others (2), the Company (3) and Keyser Ullmann Limited (4) being the agreement referred to above whereby Keyser Ullmann Limited agreed conditionally to purchase 1,000,000 ordinary shares of the Company from Castlebridge Limited.

(c) Except for 750,000 ordinary shares of 10p each issued in May, 1978 at an average price of 21p per share, no share or loan capital of the Company and, except for share capital of Regent to be acquired under the Acquisition Agreement and the initial share capital of Hiatt & Company Limited, no share or loan capital of any of its subsidiaries has, since 31st March, 1978, been issued, whether for cash or for a consideration other than cash, nor, except for the shares to be issued under the Acquisition Agreement and the initial share capital of Toney Cox Car Sales Limited, is any such capital proposed to be issued. No unissued share or loan capital of the Company or of any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option. No commissions, discounts, brokerages or other special terms have been granted by the Company since 31st March, 1978 in connection with the issue or sale of any share or loan capital of the Company or of any of its subsidiaries.

(d) Following the proposed issue, there will remain authorised but unissued 1,993,325 ordinary shares of 10p each *no issue of which will be made which would effectively alter the control of the Company or the nature of its* business without the prior approval of the Company in general meeting. No material issue of shares (other than to shareholders pro rata to existing holdings) will be made within one year of the date of relisting of the share capital of the Company without the prior approval of the Company in general meeting.

(e) At the next Annual General Meeting of the Company a resolution will be proposed to appoint Robson Rhodes, Chartered Accountants, who are at present joint auditors of Regent, as the auditors of the Company.

(f) The expenses relating to the acquisition of the share capital of Regent and the re-listing of the share capital of the Company are estimated to amount to £120,000 and are payable by the Company.

(g) Spicer and Pegler have given and have not withdrawn their written consent to the inclusion of their Report in this document in the form and context in which it appears.

(h) James Andrew & Partners and Widdowson & Co. have given and have not withdrawn their written consents to the inclusion in this document of references to their respective valuations in the form and context in which they respectively appear.

(i) A Certificate of Exemption under Section 39 of the Companies Act 1948 has been granted by the Council of The Stock Exchange.

(j) Copies of the following documents will be available for inspection at the offices of Keyser Ullmann Limited, 25 Milk Street, London EC2V 8JE on weekdays (except Saturdays and public holidays) during usual business hours until 12th May, 1980:—

(i) the Memorandum and Articles of Association of the Company and Regent;
(ii) the published Reports and Accounts of the Company and its subsidiaries for the two years ended 31st March, 1979;
(iii) the Reports and Accounts of the Regent Group for the two years ended 30th September, 1979;
(iv) the Report of Spicer and Pegler, together with a statement of the adjustments made by them for the purposes of their Report and giving the reasons therefor;
(v) the valuations of properties referred to above;
(vi) the consents referred to in paragraphs 8(g) and 8(h) above;
(vii) the Acquisition Agreement and the other Agreements listed in paragraph 8(b) above.

22nd April, 1980.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● TEXTILES

Samples produced at less cost

ONE OF the prohlems in a number of industries is the costly task of sampling. Often this means that production equipment has to he switched off the joh of making the product simply to make a very small hatch that represents someone's else's idea. This is complax and extremely costly.

In the textile trade the problem is particularly acute when equipment, *particularly for, say*, spinning, comprises a series of production elements gangad together within a single frame. With a growing tendency towards recovering and recycling raw materials, the textile manufacturer may often be confronted with a series of different lots of raw materlals and in different colours.

To run a sample blend in order to evaluate a shade based on a particular colour mix is virtually impossible on production equipment, if only because the size of the batch is so great.

Now, this problem has, in part, been solved by the introduction of a very compact, inexpensive, simple processing line that can run samples of as little as 1 kg of fibre, while samples of even 100 gm can be run if processing is handled very carefully.

The miniature processing line was developed from what was essentially an instructional piece of equipment hy Haigh-Chadwick of Marsh Mills, Cleckheaton BD19 5BD (0274 870321). Most of the equipment has a processing width of 300 mm, but the mini-card is built either as 300 or 600 mm processing width.

If waste material is to be processed then it will first be fed through a Fearnought which is a machine that tears open the thread and enables the fibres to be separated. Subsequently the material is fed through a plucker which still further opens the material, bnt which is much gentler in its action. Finally it is carded.

The card is a very compact little machine which is huilt with several options. If a yarn is to be spun then it will deliver a series of separated slivers into a four-tier tape condenser that will give sliver hobbins that can be put up on the conventional spinning machines and run alongside production in the mill.

It may be that *only* sliver is required in which event this is dalivered into a can, while should the line be used for non-woven fabric avaluation a complete full width weh may he doffed on to a wheel or drum placed in front of the card after the tape condenser has been racked forwards. After a predetarmined numher of revolution the drum and card are stopped and the layered web is then removed.

The Haigh-Chadwick line is able to process fihres from 19 to 152mm staple length which is about ¾ in-6 in, and it bas been described as a "semi-wollen" line in that it originated as a tool for the wollen manufacturers, hut is now coming to he considered for very much more critical applications auch as colour blend evaluation and in examining different blends for nonwoven *texiles*.

It has heen built so that virtually every parameter can be varied at will in order to discover the effect on production.

Colour on fabrics

IN THE years aince the Second World War there have been a number of technical *innovations* in screen prioting of textiles and today probably the bulk of this type of printing is carried ont on what are known as rotary screen printing machines.

Instead of the old style flat screen which is virtually a stencil, the rotary screen is a very fine, engraved cylinder which rotates and applles ink through perforations and so gives the design to the fabric running beneath it.

Normally a machine of this kind will bava say eight different rotary screens positioned in a row and these run synchronously over the cloth to huild up a multi-coloured print.

Except that such machlnes are flat they very closely resemble the older type of printing machine which denpended on very finely engraved copper rollers, but with a roller printing machine the rollers were positioned around the circumference of a bowl which is essenti*ally a* large *diameter* central rollar or drum.

Now a machine that very closely resembles a roller printing machine, but which uses a rotary screen ratber than a roller, has been developed in Czecboslovakla. This is built as an 8-colour printer and it has a repeat length of some 640 mm (say 25 in.) and it is able to print fabrics from 900 to 1,800 mm (35-71 in.) wlde at speeds hetween 10 and 100 metres/minute. The appeal of this new idea is that an eight-colour machine occupies much less space ln the works than a similar capacity machine printing along a flat surface.

The new rotary screen printing machine is the Elitex 4488-05 unit (British agent: Omnipol Trading and Shopping Company (London), 34-36 Gray's Inn Road, London WC1. (01-242 8640).

● COMPONENTS

Keyboards withstand rough use

MADE BY RCA and available in the UK from Norbain Displays are keyboard units designed for demanding environments.

They have a virtually continuous top surface which provides a dust and liquid proof construction which, together with the high noise immunity of the circuits used within, makes them suitable for use in bostile environments.

Known as COSMAC VIP, these alphanumeric keyboards are ASCII encoded and bave flexibla membrane kays available as a 58-key "qwerty" configuratlon, with or wltbout an additional 16-key number pad for fast numeric entry. A finger-posltioning overlay combined with a positive action and aural tone feedback give good operator "feel."

Norbain believes that this low cost high volume production unit will find use in a wide variety of industrial and consumer applications including personal, husiness and industrlal computers. The larger unit with extra numerlcal pad measures 16.5 x 7.0 x 2.0 in and welghs 3.5 lh.

More from Norbain at Arkwright Road, Readlng, Berks RG2 0LT (0734 864411).

● SAFETY AND SECURITY

No access to moving parts

AMONG the more common causes of industrial accidents is "overrun" of moving parts of machinery.

Winkworth claims that its new time delay bolt, which acts as a "har stop" eliminates the possihility of such accidents. Used either hy itself or in conjunction with an existing limit switch it can be used with most modern guarding screens, lids or cages.

To remove the guard, the operator turns the screw handle on the time delay holt. The initial turn activates an internal limit switch which hreaks the electrical circuit. The bolt, however, must be turned furthar hefore it can be withdrawn enough to release the guard.

The delay between the activat*ing of the limit switch* and the releasa of the guard allows the moving parts of the machine to come to rest before the operator has access to them.

Winkworth says it has exparimented on applying the bolt which measures 160mm hy 107mm, to most types of guards or lids. Typical of these are the sliding guards on machine tools. By fixing the bolt so that the bar is in the path of the sliding guard the operator cannot gain access to the tooling area until the bolt has been removed.

Another example quoted is the llds of mixing machines. By the addition of a cam to the hinge, the lid cannot be raised until the bar of the bolt is removed from the cam. This method is, however, only *suitable* for *small lids or* covers.

When used on the lids of larger mixing machines the bolt is applied as a locking device over the front or side of the lid. If the lid is hinged, the holt ahould be used in conjunction with a limit switch at the hinge point. By so doing, the operator cannot screw the holt in with tha lid open and having completed a circuit, run tha machine.

If used on machines or mixers with lids that are not hinged, a magnetic safety switch can be used and wired in with the time delay bolt.

More details can be obtained from Winkworth Machinery, 1 Bridge Street, Staines, Middlesex. TW18 4PX (0784 55951).

Watches freezer temperature

ALTHOUGH AIMED at the commercial user, a device from Ranco Controls that warns when freezer temperatures have hecome unacceptably high is also expected to achieve domestic sales.

Called Freezalarm, the unit is able to give visual and audiable warning of high temperatures while allowing the normal temperature cycling resulting from defrosting to continue.

Indicator lights sbow normal (green) or alarm (red) and in tha latter case a two-tone warbling sound is emitted and a separate relay is energised wich can be used to operate a remote alarm or an automatic telephone dial-out unit.

Alarm temperature is pre-sel by means of a screwdriver adjustment on the front of the unit and typically would be set at 6 dec C above the freezer cabinet temperature. A delay timer prevents d-frosting cycle alarm and this is aimilarly adjustable.

Ranco Controls Europe is at Stadium Way, Reading RG3 6BX (0752 777166).

Warns of trouble ahead

A MULTI-PURPOSE analyser and logger unit from Ashley Associates of North Road, Timsbury, Bath BA3 1JJ (0761 70129) is essentially an electronic event recorder which can be programmed to take predetermined action whenever a change of state occurs in one of the sensors to which it is connected.

Up to 999 circuits can be accommodated and they may comprise fire or intruder alarms, industrial monitoring devices of all kinds, or sensors connected to production machinery.

All of these events are recorded and printed ont on paper tape. In large industrial complexes aeveral remotely sited loggers can be linked to one master unit at a central point and any installation can be connected to Securicor'a nationwide network of control rooms.

The company sees applications in fnel conservation: with appropriate sensors, a glance at the print-ont will show where lights are heing left on unnecessarily, or determine the characteristics of a central heating system.

Extracts the fumes

AN EXHAUST extractor that enahles vehicle engines to he safely run while the vehicle is in a confined garage or workshop is announced by John Plymouth, 51 High Street, Banbury, Oxon (0295 2503).

It consists of a suction head that is clipped on to the vehicle exhaust, a flexible neoprene ruhher bose, and an extractor fan. Complete assembly ls suspended from an articulated suspenslon arm, which can also carry an air line, power supply and lighting.

Suspension design means that there is no danger of the vehicle accidentally running over the extractor, says the company — a spring balance automatically lifts the suction bead to ahove head height when not in use.

There are four models, the largest giving a maximum horizontal reach of up to six metres, enough for a floor area of up to ten vehicles.

● AUTOMATION

Indicates faults

SINGLE MACHINES or a complete plant can be sequenced and faults identified by a microprocessor-hased programmable *control system* put on the market by Fielding and Platt, P.O. Box 10, Atlas Works, Gloucester GL1 5RF (0452 28611).

Originally deveolped by the company for the control of products that it makes itself, the organisation has now baen establisbed for undertaking sequence design and engineering, procurement, site installation and commissioning of such systems for industry at large.

Exercising control according to a set program or programs, the unit can also feed data such as units produced per machine and downtime back to a mainframe computer, together with reasons for stoppages. The equipment will also show where the problems are occurring.

All the data is shown on a VDU in plain English and can be repeated by a printer if desired.

● COMPUTING

Bank takes on more equipment

COMPUTING equipment worth about £3m is to be supplied by NCR to Clydesdale Bank over the next two years, basically in the form of three V-8575M machines, one of which has already been installed in the bank's computing centre in Glasgow.

Clydesdale is moving over to the machines from the two Century 315 and two 151 computers currently in use and will be able to use its existing Century B3 programs without simulation, says NCR.

The bank will also be setting up an advanced distributed intelligence system with six regional remittance centres in Glasgow, Edinburgh, Abedreen and London. Each centre will have two NCR 7750 systems using dual switchahla 8250 computers, one controlling four to eight work stations for document processing and data capture and the other for communicating accounting information to the central machine.

System will grow

HONEYWELL HAS taken a tilt at the smaller business systams market with the announcement of the DPS 4, a multi-processor system which can be "grown" by connecting further processors to a maximum of 12, offering massive power or high availability.

An entry level computer consisting of four processors, 256k bytes of memory, 56 megabytes *of disc*, video console, two work stations and printer costs just under £30,000.

For the new small user the DPS 4 is available with an integrated range of ready-to-use software and offers facilities for sales order processing, stock accounting, sales ledger and analysis, purchase ledger, purchase order control and general ledger.

The machine runs under the control of a newly developed operating system offering both multi-programming of up to 15 job-streams and multi-processing ahility.

Operators use menu-style terminal screens and can interactively create, display, and print files, directly define and produce reports, enter data, modify records and make file enquirles.

Honeywell Information Systems, Great West Road, Brentford, Middx. (01-568 9191).

● TRANSPORT

Will carry light goods

OFFERED FOR use by garment makers and traders, bakeries, florists, furniture and fine are dealers as well as the electronics industry, for which softly-sprung version is available, is a tractor/semi-trailer combination which does not need an HGV licence. It is to be supplied by Tudor Vehicle Imports (UK), Gildersome Spur, Gildersome, Morley, West Yorks (0532 521041). The Romanian-built verhicle incorporates a number of British components and comes with a choice of 2.5 litre, 83 bhp ARO petrol engine, or 3.1 litre, 72 hhp ARO diesel, and an all-synchromesh four-speed gearbox.

A Davis Magnet fifth-wheel coupling is fitted to the modified Tudor chassis which can be supplied with either a standard three-line braking system or with electric braking operated by two Linde controllers linked hydraulically to the tractor service brake circuit.

● PROCESSING

Hot or cold air

WHERE CONTROLLABLE flameless heat is required for shrinking tubing, processing solder sleeves, printed circuit board drying, etc., in the electronics industry, one answer could be a heat gun offered by Eraser International, Unit M, Portway Industrial Estate, Andover, Hants. (0264 51347).

A switch control enables the 10009 to provide hot or cold air. Standard model produces bot air at 650 degrees F and two colour coded nozzles are available to provide temperatures of 500 and 800 degrees F. Element and nozzle changing takes ahout 20 seconds.

Electrically operated, tha gun has deflector adaptors which clip on the nozzle for ahrinking tubing and providing a pin point heat source for soldering, etc.

In general indnstry it could be used for welding plastics, paint stripping, glue curing, etc.

Building and Civil Engineering

£18m UK gas pipelines

BRITISH GAS has awarded a contract worth £9.5m to Nacap of Doncaster for the construction of 76 km of 42-incb diameter gas pipeline hetween Aberdeen and Arhroath.

Over 500 men will be employed during peak construction of the work scheduled to take nine months. These will include about 100 British specialists from the company, and the balance of workforce will be recruited locally in Scotland.

A member of the Royal Bos Kalis Westminster Group NV, the company is currently carrying out reinstatement of 20 km gas pipeline in South Wales.

Job of laying a 7.7 km 42-inch gas line across the Tay estuary for British Gas is worth £9m to Land and Marina Engineering, another member of the group.

This involves a 1,200 tonne winch pull to position the main section of the crossing which is 4.3 km long. Two dredgers from sister company Westminster Dredging will be working on the trench dredging and backfilling operations which call in general for three metres of cover increasing to 4.5 metres in the channel section.

Construction programme calls for completion of the works by mid-October this year and work on the project has already started.

City offices contract

TROLLOPE & COLLS bas started work on a £3m office redevelopment in Bow Lane, London, EC4, for Watling Street Properties.

The Well Court Development, as it is known, entails the demolition of several existing properties of varying agea and retaining and restoring some the facadas. Extensive underpinnlng will support retaining walls and hasement in raadiness for rebuilding a four storey office block above.

The contract calls for a structural steel frame on piled foundations with precast concrete floors. The building will be serviced by two lifts and threa staircases, thare will be a restaurant, cantaen and kitchen: plant rooms will be located at roof level.

The arcbitect is the Fitzroy Robinson Partnership. Completion is due in August, 1982.

Structural steelwork

STRUCTURAL engineering subsidiary of S. W. Farmer Group, S. W. Farmer, bad been awarded a £2m project by Ralpb M. Parsons for the British Aluminium Company smelter modernisation at Lochaber, Fort William.

Work includes the supply and erection of 2,700 tonnes of structural steelwork for two cell rooms, each 20 metre span by 341 metre long, togeher with two link buildings.

Steelwork will be made in Farmer factories in London, Leeds and Darlington, and is due for completion by the end of this year.

£5m jetty contract

CHRISTIANI and Nielsen has heen awarded a £5m contract by Sbell UK, Exploration and Production, operator for Shell and Essex at Mossmorran-Braefoot Bay NGL (natural gas liquids) project in Fife.

The contract calls for the building of a jetty which is to be a steel piled construction with a reinforced concrete deck. Work will start soon and be completed in 1981. Pipework for the jetty will be constructed by Ralph M. Parsons, the main contractor for the project.

Mixed bag of orders

OVER £2m worth of contracts have been awarded to companies in the London and Northern Group for work in the north of England and Ireland.

About half of this figure covers warehouses and factory extensions for Ashley Accessories, alterations to treatment works for North Western Water Authority, and constructinn of a fitting shop at Carlisle for Clarke Chapman (all to be undertaken by Border Engineering Contractors); phase two of University House, Lancaster, is to be carried out by Border, William Huddleston and Sons under a £234,000 award by the Council of the University of Lancaster.

W. and J. Taggart (Quarries) has heen awarded a contract for asphalt footways at Belfast north and Newton Ahhey in Northern Ireland for the D o E worth £303,000: and G. W. Lazenby has won contracts worth about £163,000 for schools in Whickha mand Peterlee, Co. Durham.

Big job for Crendon Concrete

IN ASSOCIATION with the Arab Tecbnical Construction Co. (Arabtec) of Dubai, Crendon Concrete (Overseas) bas won a big contract in the United Arab Emirates.

The contract covers design, manufacture and erection of precast wall and flooring panels for the Hall of Residence for female students at United Arab Emirates University at Al Ain.

Main contractor is Emirates Precast and value of the contract is about U.S.$10m. The work bas to be done in seven months.

Awards for housing

FOUR CONTRACTS together worth about £10m have just been awarded by the Milton Keynes Development Corporation.

John Mowlem will start work this month on 89 dwellings at Furzton 1A ranging from two-person bungalows for old people to two-storey, six person houses under a contract worth about £1.6m, and the company will also carry out a £550,000 contract for housing at central Milton Keynes.

Robert Marriott has secured work worth £4.2m to build 184 dwellings and a sheltered housing scheme at Oldhrook, near the city centre while another scheme at Oldbrook is worth about £3.6m to the John Willmott Group. The latter calls for 186 two and three storey houses of traditional construction.

Work for Sindall

WORK IN hand at Surrey Docks for the London Borough of Southwark in three separate contracts is worth nearly £3m to Sindall Construction.

Other contracts just announced include alterations and additions to Harlow bus depot for London Country Bus Services (£325,456) and a mill and store in Cambridge for Travis and Arnold, worth £285,657.

Monk gets £9m motorway award

CHESHIRE County Council has accepted a tender from A. Monk and Co. for the construction of an extension to the M531 motorway.

Valued at £9.6bn the contract calls for 4.5 km of dual carriageway motorway and 2.7 km of link and slip roads.

Commencing at the Stoak interchange at the intersection of the Hapsford to Lea-by-Backford motorway section A5117 interchange to Stoak, it is routed sonth to the A56 Chester to Warrington road at Hoole Village. There is to be a ground-level roundahout at Hoole on the A56 and several side road diversions.

The contract includes the dualling of the existing A56 from its junction with the M531 extension, to the roundabout, at the junction with the A41. Earthworks include 360,000 cubic metres of imported material.

Nine structures are included in the project—four underbridges, two overbridges and three sign gantries.

Among ancillary works there is to be divarsion and protection of existing services and oil pipelines, fencing and drainage, traffic signs, street lighting and communications.

Completion is expected in the late summer of 1982.

Keeping up appearances

FOR ARCHITECTS and local authorities who insist on a traditonal hrickwork appearance, is a quick, inexpensive system which is said to display all the cbaracteristics of conventional brickwork yat is a sandwich classing system formed from hricks designed to fix onto a polstyrene pag grid.

The polystyrene offers insulation values which comply witb Building Regulation requirements with good U values and acts as ao accurate location grid for the bricks, ensuring a consistent mortar joint, says London Brick Buildings, Banbury House, Royal Leamlngton Spa, Warwicks (0826 27131).

A reinforced concrete face is bonded to the polystyrene grid with normal brick ties which provides the internal surface requiring no further treatment than a coat of paint wben the structure is completed.

The panels are made in a standard mould giving a maximum panel size of 4.8 metres wide hy 2.4 metres high. Smaller panels are of 3.6, 2.4 and 1.2 metres wide. Each panel sandwicb bas 160 mm thickness.

Damp proofing is achieved through two coats of Aquaprufe on the concrete base, and ona coat on the bottom of the panel. The panel itself is hedded on mortar.

Panels are constructed wben reinforced concrete is poured into the mould to form a 58 mm base, and the polystyrene grid is placed on top. At thia stage, window frames and door openings can he incorporated into the paoel with special formers.

The 50mm thick LBC facing bricks are located and fixed on to the pegboard. Any patern, including berringhone, can be catered for to the design of tha building.

A mould lid is then clamped into position and pivoted through 90 degrees, and a liquid grout pumped into the mould to form consistent mortar joints. The panel is removed from the mould after 24 hours and held in the cnring yard ready for transportation to site and installation.

Twenty panels can he installed ln an average eight hours shift. A similar surface area in traditional brickwork is estimated to take six days to complete, plus extra time for plastering and drying.

Lifting and locating lugs are built into the palen to facilitate easy handling of the product which may be comhined with the new two-storey, Modular 4.8 and 2.4 buildings for use in commercial and industrial applications.

Dual-role power unit

A SELF-CONTAINED, portable unit which will provlde simultaneous use of hydraulic and electrical power has been produced by tha Construction Equipment Division af Willliams and James (Engineers).

It is based on the company'a Pacebraker hydraulic power pack and concrete breaker, but is equipped with an alternator to provide a power source for a wide range of jobs.

It can be used for road hreaking operations and at the same time provide floodlighting or traffic light control. Electrical output can also be used to run pipe welding equipment, or power tools, while the hydraulic power can he dlverted to run hammer drills, suhmersible pumps, chain sawa, disc cutters and so on.

The unit is equipped with a 16 hp engine helow which is mounted the 2.5 kV altarnator which provides power via two 110 volt-16 amp sockets.

Called the W & J Masterpac the unit has three wheels for easy movement on site, and the chassis is also equipped with fixing lugs so that users can remova the wbeels and mount the unit in their own vehicle or trailer.

More from the company at Chequers Bridge, Gloucester GL1 4LL. (0452 36661).

● A study into the potential use of stone in new hullding by Hutton and Rostron on hehalf of the Stone Federation and the DoE is published today by HMSO at £5.

IN BRIEF

● British Gas has awarded a feasibility study contract to Land and Marine Engineering to determine the routing and pipeline design for transmission of gas between the Easington terminal and the Rough Field, for reservoir storage.

● A £362,000 contract, has been awarded to Walter Lawrence by tha Property Servicea Agency for new works on behalf of tha Royal Engineers and Royal Army Ordnance Corps at the Ordnanca Support Unit, Thetford, Nerfolk.

● Slte investigations, geophysical surveys, etc., to be undertaken during the next three months by Osiris-Cesco are valued at over £700,000. Work is located all over the world including West Africa, Middle East, Australia and the UK.

● Hunting Surveys has won a major BP Development contract to carry out a comprehensive programme of hydrographic and shallow geophysical surveys in the North Sea and the Continental shelf of the British Isles during 1980.

● Duke and Ockenden (member of Mowlem Group) has an order worth £350,000 to supply aix tractor-mounted Dando 250s to be used mainly for open cast exploration in the Midlands by Drill Sure.

● Three contracts together worth about £¾m have been awarded to Y. J. Lovell (Southern) for work on an office block for the Architectural and Planning Partnership; alterations for Prudential Assurance; and car park and road for Key Markets.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Alarmist duo charts a safe market policy —and wins City backing

"THE BEST thing you can do at the prototype stage of a new product is to go out and show it to the end users; find out where you have gone wrong and put it right. Then you can start to sell it."

This is the view of Barry White, co-founder with John Munford of a security alarms manufacturing company that bears their names. It is a philosophy which has been showing good results in the five years since "Munford and White" was set up. After an initial loss of £8,000 on sales of £143,000 in tha first 14 months of operation the company bas expanded steadily and 1979-80 is expacted to show sales of £870,000, with a healthy profit margin of 25 per cent producing pre-tax profits of £217,000.

The performance, and apparent potential, of the company have proved attractive to Charterhouse Development Capital, an offshoot of the Charterhouse Group finance house, which has just bought an 8 per cent stake in Munford and White. CDC—whose shareholders also inclnde major institutions—has taken a stake very much smaller than it would normaly consider. Bnt as thia was all that was on offer (Barry White wanted to raise some capital for personal reasons) it decided it would make the investment in the helief that Munford and White's growth potential offered worthwhile expectations of income and, more psrticularly, capital gain.

White feels his point about product development was proved by his and Munford's early experience. For their first two years sales of the alarms were handled by a sole distributor which meant they had little direct contact with their market. Though their sales progressed, they felt it would be in their interest to broaden *their marketing base by selling* directly. They developed a new range of alarms which was not in direct competition with those handled by their distributor. It was at this stage that "I went ont to meet the end-user," says White, and he believes that this helps thet company to produce immediately acceptable new products.

The market for their products is diverse—from private houses to factories — and the range includes *technologies of ultrasonic,* ray and microwave intruder detector alarms. It is a field where there is pressure for increased sophistication both from competitors and from technical developments which the British Standards Institute requires to be included.

It seems likely that its ability to comply with these standards stands it in good stead with customers such as Chubb, LCA Alarms and Securicor.

The company has now taken out several patents on its designs, but Munford acknowledges that this is a costly process. Ha also maintains that soma of its products have been copied abroad—"but what can a *small* company do abont this?" be asks.

Both Munford's and White's backgrounds seem ideally suited to a partnership in a company such as the one they bave now created. White, with a physics degree, began working in electronics with Bristol Aircraft. He subsequently became involved in tha 1960s—in other companies—with both security equipment and electronics for vending equipment, and set up bis own company in 1964 to make vending machine coin counting equipment. Munford, whom he already knew, joined bim for a few years in this venture before leaving to set up company which he eventually sold.

Roger Taylor

John Munford (left) and Barry White: happy to have a Charterhouse director on their board

Munford's background is in mechanical engineering, inclnding a period in the early 1960s as chief draughtsman at Dawe Instruments (wbere he first met White). Over the years be bas alternated between working for companies and working for himself. Prior to setting up Munford and White, he had establisbed his own company which was involved in both fabricating and design. His earlier experience bad included drawing np mechanical designs for the alarm industry.

White generally develops the concepts for the different types of alarm—what it should do and how it can be done electronically—while Munford concentrates on the best way to manufacture the product.

Because each recognises his own particular specialised contribution, they decided to bring in a commercial director and a "*chief tester*" at an early stage.

This recognition of different disciplines — which is often missing from young, entrepreneurially-based companies — has extended to the link-up with Charterhouse. For, although *CDC's stake is small, it has a* director wbo provides financial advice on the Munford snd White Board. "We're very happy in this respect," comments White.

CDC would like to increase *the size of its investment in* Munford and White, although this is unlikely to happen in the short-term, given that the company has been able tu fund all of its bnsiness expansion from internally-generated resources.

Bnt what about when Munford and White wish to realise a substantial slice of their capital? So far, they have both considered, but rejected, the idea of selling out to another (though it seems likely that at some stage, given the right offer, they would find it difficult to resist). More likely, they would opt for a partial floation in the long term; avoiding a full pnblic share offer and settling for a Section 163 (2) listing.

Nicholas Leslie

Management abstracts

Internal Labour Markets in Japan. S. Jacoby in Industrial Relations (U.S.), Spring 79: p. 184 (12½ pages)

Investigates the origins of Japan's labour markets; examines the thaory that "nenko" (permanent employment, seniority based wage and promotion achemes) is a continuation of the country's cultural traditions; discusses the notion that labour rentention is oceasioned by the need to train workers in firms based on specific technologies. Alternatively argues that "nenko-based" personnel policies stem from management's desire to weaken the "ovakata" (a pre-factory form of organisation of mobile craftsmen) and to ensure a firm-trained, stable and loyal workforce resistant to unions. Emphasises the importance of the constraints imposed on choice of personnel policies by firms' structures and the product market.

Top Secretaries: Rarer than Ever. D. Gottschall in Manager Magazin (Fed. Rep. of Germany), October 1979: p. 46 (4 pages, illus.; in German, English version available)

Analyses the shortage of capable top management secretaries and considers what is being done to redress the imbalance of supply and demand.

Small Companies' Need for Audit. Accountancy (U.K.), December 1979: p. 97 (6½ pages)

The text of a document issued by the Consultative Committee of Accounting Bodies, which summarises the case for and against changing the audit requirement for small companies, examines the alternative of the review and discusses how it might be introduced.

Trends in Quality Assurance. H. D. Seghezzi in EOQC Quality (Switzerland), No. 4/79: p. 14 (2½ pages, diagrams).

Points to ways in which quality differs from other factors (delivery and price) in a supplier's performance, and suggests how its special position affects the way it is managed; identifies trends in quality control, including pushing its focus back from finished product inspection to process control and increasing individnal operators' responsibility vis-a-vis specialist inspectors.

The Implementation of Change. L. K. Taylor in Industrial Participation (UK), Autumn 79: p. 21 (3½ pages).

Advocates management/union co-operation in the face of technological innovation, and in the planning and implementation of change; draws on named examples of what are said to be *successful change programmes.*

Evolution to a Matrix Organisation. H. F. Kolodny in The Academy of Management Review (U.S.), Oct. 79: p. 543 (11 pages, charts, table).

Traces how theoretical definitions of matrix organisation have developed, and reviews the literature on the evolutionary stages of matrix structures in management; identifies stages through which they pass, the support systems necessary for their operation, the characteristics their members develop, and the determinants of the evolutionary process.

A blinkered view of the future

BRITISH COMPANIES are very introverted about financial forecasting. Tbey look primarily at their own past performance, rely on their own internal intelligence to assess the immediate future, and largely ignore outside sources of information—certainly the economic projections of government.

Their forecasting methods are basic and their objectives relate far more to assessing short-term cash requirements and profitability than to gauging their needs for capital investment and growth.

Optimistic

The majority of companies that do financial forecasting also appear remarkably optimistic and self-assured given that they do only single figure forecasts, ignoring the need to cater for a range of contingencies by establishing high, medium and low forecasts based on differing assessments.

These points emerge from a study by the Institute of Cost and Management Accountants into tha financial planning and control practices amoog UK companies. The finding are drawn from the responses of 550 companies — both quoted and unquoted — out of a total of 1,692 which were approacbed. The companies ranged in size from less than £1m to over £50m of assets.

The companies fell into four broad industrial groups: mechanical engineering; clothing; building and constructioo; and food, drink and tobacco. The purpose of having this spread was to take account of differences in product and volatility of business activity. The characteristic associated with each industrial group was —respectively—capital goods, domestic goods, cyclical, stable.

The survey revealed strong bostility to the concept of companies heing required to publish profit forecasts. Of the companies surveyed, 65 per cent were against sucb a requirement. Among publicly quoted companies the bostility was even greater, with 74 per cent against such a move.

Two basic reasons were given for this opposition. First, that forecasts tended to be inaccurate and uncertain (52 per cent said this), and that they may mislead the users of the forecasts (28 per cent). Other suggested reasons were that it is not the purpose of accounts to provide forecasts, that such a requirement may inhibit management and decision-making, and that users of forecasts would find them too difficult to understand.

More than a quarter of respondents prepared forecasts to establish their likely cash requirements and liquidity, while just under a quarter sought to ascertain what their profitability and return on capital would be. But only one-tenth gave "setting objectives and targets" as a reason for forecasts, and a similarly low number bad investment and growth in mind when assessing future financial performance.

While almost all of the companies prepared some form of profit estimate for periods ranging from one month to three years, only three-quarters made similar assessments of their likely balance sheet outcome. There was also a significant difference between the iodustry groups in the ratios of those forecasting and those not. While 94 per cent of the mechanical engineering concerns prepared balance sheet forecasts, only 66 per cent of clothing companies did so. The percentage for both the construction and food, drink and tobacco sectors was 78.

Not surprisingly, perhaps, the larger the company, the more likely it is to prepare forecasts. The percentage of companies putting together estimates rises progressively from 60 per cent to 98 per cent for companies ranging in size from those with assets of less than £1m to those witb over £50 of assets.

Predictable

What is surprising, though, is tnat as many as 12 per cent of companies with between £10m and £25m of assets should not do any balance sheet forecasting, and likewise 3 per cent with between £25m and £50m of assets.

The time acale of forecasts varied according to a reasonably predictable pattern. For example, profit forecasts for a maximum of one year or less, were prepared by 73 per cent of colthing companies, 44 per cent of food and drink, 36 per cent of construction and 23 per cent of mechanical engineering companles.

For forecasts of between one and three years, the respective percentages were 19, 21, 39 and 30 per cent and for over three years were 8, 35, 25 and 47 per cent.

They made their approacb to *short-term forecasts* by first preparing their longer-term estimates and then breaking them down. This was particularly so with profit and loss estimates and halance sheet and capital expenditure forecasts.

However, with cash budget projects the approach was roughly equal between a breakdown of longer-term forecasts, preparation of short-term forecasts before adding them together to establish a longer-term estimate, and preparation of independent short-term and longer-term forecasts, with a subsequent reconciliation of the two.

Rather incongruously, given that inflation and other uncertainties have for several years been a key factor of business life, just over three-quarters of the companies relied on preparing a single forecast with no subsequent adjustment to the original data. Relatively few used a type of estimate that allowed for uncertainty in forecasts, says the report. And "in total only 5 per cent of forecasting companies stated that they estimated for different possible outcomes."

The most common approach to forecasting — practised by 66 per cent of companies—was based upon formal analysis of several factors expected to have an important effect upon future performance. The main factors included salea volume and demand, costs, production capacity and utilisation, labour availability and costs, the general general economic and political situation and finance availability and cost and general liquidity.

Records

Yet in establishing these factors, companies relied on little hut their own information and supposition. Their most important sources of information were records of past performance and special investigations by company staff. Of moderata to slight importance were information from employer groups (not too encouraging for the CBI) and independent reports on the state of the economy and its prospects (a *bit depressing for the business* schools).

Even less importance was attached to government pronouncements on the economy and to information emanating from government departments or publicly financed bodies.

Financial Planning and Control. A Survey of Practices by UK Companies. By Colin J. Jones. The Institute of Cost and Management Accountants, 63 Portland Place, London W1N 4AB, price £2.50.

Nicholas Leslie

LOMBARD

Mythical German Holy Grail

BY SAMUEL BRITTAN

THE TENDENCY to romanticise other countries is pleasanter than the chauvinistic vilification of everything that goes on elsewhere. But it can still be a misleading guide to action.

A case in point is the German system of "concerted action" involving the government, unions and management. Mr Denis Healey frequently extols it as an ideal incomes policy working, without formal controls or the rigidities of previous British experiments. Sir Geoffrey Howe has looked at it as a model for educating trade unionists in the folly of pursuing excessive pay increases.

A detailed study of "Trade Unions, National Politics and Economic Management," by a group of German and British academics, soon to be published by the Anglo-German Foundation, suggests however that there is very little with which to be "getting on." The vogue for concerted action is a characteristic example of confusing a minor institutional device with the more deep-seated reasons for the divergent performances of different countries.

Concerted Action worked as a pay restraint mechanism during a brief period in 1967-79. In the 1970s it "lost most of its significance and status." The German trade union federation, the DGB, withdrew in 1977 as a protest against the employers organisation's fight against the latest workplace co-determination laws. But neither its withdrawal, nor its subsequent return (without the label last year, when the Constitutional Court ruled against the employers made any discernable difference to the economy.

The heyday of concerted action coincided with the entry of a Social Democrat Economy Minister, Prof. Karl Schiller, into a coalition government. The idea was to mobilise the main interest groups to try to achieve the magic quadilateral of full employment, stable prices, a sound balance of payments and rapid growth.

In 1967-68, the meetings and statements of principle may well have had something to do with the lag of real wages behind the growth of the economy—although the 1966-67 research was probably even more important. But the failure of the German Government and Council of experts to predict the rapidity and extent of the recovery soon took most of the supposed "objectivity and rationality" out of the exercise.

Pay restraint broke down in 1968 with a metal industry settlement at the then very high figure of 11 per cent. In 1970 there was a postwar record rise of 12 per cent in nominal wages and 8 per cent rise in real wages. By then union leaders were openly cynical of their ability to influence policy through these meetings, and anxious to stress that "concerted action" had not effect on their bargaining strategies.

Herr Helmut Schmidt who displaced Prof. Karl Schiller as Economics Minister in 1972, and afterwards became Chancellor, was much less committed to the whole idea. Expectations were lowered and meetings became routine.

The authors of the study—who had full access to the TUC and DGB and are obviously sympathetic to union aims—attribute the "fairly successful German adjustment to the economic recession and inflation of the mid-1970s" to "a combination of government, monetary and fiscal policies with a fairly centralised structure of collective bargaining and a high degree of consensus on the distribution of income."

Two points arise. First, one must be careful of jumping from the "concerted action" to "centralised trade union wage structure" as an alternative panacea. It is all too easy to envisage how pay centralisation in countries other than Germany might obstruct rather than encourage the adjustment of wages to market realities.

Secondly, quite independently of any tripartite forum, the German Government is required by law to provide economic "orientation data" which quite often includes a low key pay norm. One can argue about whether this does any good; but in countries with different habits a low norm would be ignored, and a realistic one would be taken as a minimum, actually forcing up settlements.

Certainly British Ministers should talk and argue in a less up-tight way with union leaders. But looking for tripartite institutions to bring down wage settlements is just another example of a quest for a non-existent Holy Grail.

Contingency fees have no appeal in England

ENGLISH LAW has never sanctioned an arrangement by which a lawyer is remunerated on the basis of a contingency fee—that is that he gets paid the fee if he wins but gets nothing if the case is lost. An agreement by which the lawyer receives a cut of the proceeds of litigation has always been regarded as champertous and unenforceable. But other countries, notably the United States, have permitted their lawyers to earn their fees by taking a percentage of any money awarded by the courts. This divergency in approach to the financing of litigation was never more starkly illustrated than in a case last week before the Court of Appeal.

In *Castanho v. Brown & Root (UK) Ltd.** a Portuguese worker who had been rendered a quadriplegic in an accident on a North Sea oil rig started an action in this country and against his employers, a multinational company. The company admitted liability but contested the amount of damages. Interim payments of £27,250 were made in the course of the written pleadings, the estimate being that the claim was worth about £150,000.

On to the scene came a firm of lawyers from Houston, Texas. They told the Portuguese worker, now back in his home land, that they could get him $5m from the American courts. If the man agreed to stop his English proceedings and make his claim in Texas he should sign a power of attorney providing for the lawyers' reward of 40 per cent of the damages recovered. The question before the Court of Appeal was whether the worker could discontinue his English action.

The English solicitors served a notice of discontinuance, but Mr. Justice Parker not only struck out the notice so that the English action remained in being, but also granted an injunction restraining the worker from launching the proceedings in the United States. Evidently the judge felt strongly that the bargain struck with the American lawyers was grossly improper and offensive to English eyes.

In the Court of Appeal he was supported by Lord Denning who, dissenting, found the champertous agreement an affront to a just and right procedure.

Once a litigant had embarked upon action bringing his adversary into court and proceeded in the action to a point of no return, Lord Denning thought that the plaintiff could no longer be the complete master of the litigation; the court was entitled to say whether he might change tack, and if so, under what conditions. But Lords Justices Shaw and Brandon did not agree.

Their approach was essentially pragmatic. The case was a matter of money, not of morality. No amount of money could ever compensate someone so devastatingly injured. Who could deny someone who had been reduced to a human wreck the right to seek monetary amends in the most favourable enviroment possible. His misfortune was the better offset by the fortuitous circumstance that one jurisdiction offered a large amount of money than another. At least the sufferer would have the satisfaction of knowing that his claim would augment the family's financial prospects. Provided that the interim payment of £27,500 were repaid (which the American lawyers had agreed to do out of their own pockets)

THE WEEK IN THE COURTS

BY JUSTINIAN

the worker should be allowed to continue his proceedings in Texas and be permitted to discontinue his English action.

Shamed no doubt by the comparatively low level of damages for personal injuries in this country (Scotland awards even lower damagers) the majority of the Court conceded the worker's right to pick and choose his forum and when it suited him. The fact that out of any enhanced award in Texas the American lawyers would make large, if not inordinate pickings did not detract from the worker's right to search for the maximum compensation. Whatever the approach of English law to champerious agreements, that attitude should not spill over into a jurisdiction that sanctions this method of financing litigation.

But one aspect of the intrusion of American lawyers' habits into our courts appeared troublesome. Counsel appearing for the worker were in effect receiving their instructions from the Texas lawyers who pronounced what they thought would be awarded to the worker. Could, in those circumstances, the English barristers exercise their independent judgment whether discontinuance of the English action was in their client's best interests? And in accepting the American lawyers' view were they not indirectly becoming parties to a Champertous agreement?

The crucial question is whether the system of contingency fees is so objectionable that we should continue to reject it to supplement legal aid. Everything points to no change. The public policy that led the judges in the 19th century to reject champertous agreements has long been endorsed by Parliament. In a series of Solicitors Acts from 1870 to 1974 solicitors may make any agreement with their clients as to their remuneration, with one expressed exception. No validity is given to any agreement by which a solicitor stipulates for payment only in the event of success in legal proceedings.

In 1967, following proposals by the Law Commission, Parliament abolished criminal and civil liabilities for champerty and maintenance—champerty is a species of maintenance which forbade anybody sponsoring another's litigation in which the former had no interest. But the 1967 Criminal Law Act made one important reservation. It stated, that abolition of the criminal and civil liability of champerty and maintenance "shall not affect any rule of law as to the cases in which a contract is to be treated as contrary to public policy or otherwise illegal."

An attempt to argue that this affectively allowed the contingency fee system to operate was firmly rejected by the Court of Appeal in 1975 in the famous proceedings, brought single-handedly by Mr. Moir against Kurt Wallersteiner.

The argument in favour of allowing a contingency fee system is that such fees would enable ordinary people, who would not otherwise be able to afford litigation, to take their claims to court. Legal aid may sustain the poor, and the rich can look after themselves; but the middle classes are not poor enough to qualify for legal aid, nor insufficiently affluent to risk th cost of legal proceedings.

Lawyers, it is claimed, who accepted work on a contingency basis would have a stake in winning their cases and would, therefore, be more committed and diligent in the preparation and presentation of the case.

The Royal Commission on Legal Services found that the overwhelming weight of evidence it received was opposed to the introduction of contingency fees.

A client might lose by the arrangement in two ways. A proportion—often substantial if the *Castanho* case is anything to go by—of any damages recovered goes into the lawyer's pocket, and since the lawyer pays all the costs of the case in return for this proportion of the damages he would be exposed to the strong temptation to settle the claim before incurring the heavy expense of preparing for trial; the client thus would be at the lawyer's mercy and might have to settle for less than he ought to get. Alternatively, the client, having nothing to lose, might insist on pursuing a hopeless or irresponsible claim in the faint hope of getting something.

The Commissioners regarded these fears as enough to recommend against a system of this type which they thought would not work well in this country where parties to litigation recover their costs if they win. (In America, each party bears his own costs regardless of the outcome of the case.) The Royal Commission concluded that such a system would benefit only a limited class of litigants and would reward some lawyers disproportionately.

* *The Times Law Report, April 22, 1980.*

Nureyev favoured in 2,000 gns.

RACING

BY DOMINIC WIGAN

TWO THOUSAND GUINEAS ante-post betting has now dwindled to sketchy support for just two horses—Nureyev and Sr. Johnathan and predictably these two are consolidating their position at the head of the market, while the remainder, with the exception of Night Alert and World Leader, are on the drift.

The market reads: 5—4 Nureyev, 6—1 St. Johnathan, 12—1 Final Straw and Night Alert, 14—1 World Leader, Posse and Tyrnavos, 20—1 Known Fact, 33—1 Star Way, Swift Image and Tauran, 40—1 Abington and Highest Bidder, and 100—1 Widd. It is unlikely to undergo any significant changes by Saturday. However, if we are to see a move for one of those colts I believe Known Fact will be the medium.

Willie Carson was far from disappointed by the showing of his mount in the Clerical and Medical Greenham at Newbury and was subsequently quick to point out that the Jeremy Tree-trained colt needed the run far more than most of his opponents. The outspoken former champion has somewhat qualified his enthusiasm for Known Fact's prospect—he originally commented: "This one will win the 2,000 Guineas," he now states: "Don't worry we'll be in the frame." Confidence is growing at Beckhampton. Known Fact, a good looking bay son of In Reality, has been showing great zest in recent work with other three-year-old inmates of Tree's Berkshire stable, and it has not gone unnoticed.

Although Joe Mercer has fulfilled expectations by plumping for Saison in the 1,000 guineas on Thursday, the general consensus of opinion—certainly among the racing fraternity—is that he might have been better advised to stick by the proven Evita. Evita has achieved far more in public than her much vaunted stable companion.

Saison hits the betting on the filly's classic at 9-2 while other prices read 5-1 Evita; 8-1 Our Hope and Millingdale Millie; 9-1 Firyal and Mrs. Penny; and 12-1 Quick as Lightening.

BATH

2.00—Alpine Damsel
2.30—Royal Blood***
3.00—Graf Metternich
3.30—Genealogy**
4.00—Sandford Rose
4.30—New Jerusalem*

WOLVERHAMPTON

2.15—Etesian
2.45—Leiko
3.15—Taryn
3.45—Falkland Palace

TV Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.52 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.45 pm Midday News. 1.00 Pebble Mill at One. 1.45 Over the Moon. 2.01 For Schools, Colleges. 3.15 Songs of Praise from Portstewart, Northern Ireland. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Cheggers Plays Pop. 4.40 Godzilla. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Captain Pugwash.
5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.55 Ask the Family.
7.20 The Dukes of Hazzard.
8.10 Panorama, including interview with Richard Nixon.
9.00 News.
9.25 The Monday Film: "The Midnight Man," starring Burt Lancaster.
11.20 Bellamy's Europe.
11.50 Weather/Regional News.

All Regions as BBC-1 except as follows:—

Cymru/Wales — 1.45-2.00 pm Pili Pala. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.50 News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55 Reporting Scotland. 6.20-6.25 A Party Political Broadcast by the Scottish National Party. 6.25 Join BBC-1 (Nationwide). 11.50 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.50 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look Northwest (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
3.10 pm Snooker: Embassy World Professional Championship.
4.50 Open University.
6.55 Snooker.
7.20 Mid-Evening News includ-in sub-titles.
7.30 Cantilena.
8.00 Bird Spot.
8.10 The Waltons.
9.00 Not the Nine O'clock News.
9.25 Feelifax by Jim Hawkins.
10.05 Snooker highlights.
10.45 Newsnight.
11.20 Snooker.
11.45 Russian — Language and People.

BBC-2 Scotland only—6.55 pm Party Political Broadcast by the Scottish National Party. 7.00 Join BBC-2 (Snooker).

LONDON

9.30 am Schools Programmes. 10.20 Untamed Frontier. 10.43 Schools (continued). 12.00 Chorlton and the Wheelies. 12.10 pm Rainbow. †2.30 One Step Ahead. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 Against the Wind. 2.30 Monday Matinee: "House Of Secrets." 4.15 Clapperboard. 4.45 Enid Blyton's Famous Five. 5.15 Money-Go-Round.
5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Lingalongamax.
7.30 Coronation Street.
8.00 Young at Heart.
8.30 World in Action.
9.00 Fox.
10.00 News.
10.30 Soccer Special.
11.30 Monday Film: "Birds Of Prey," starring David Janssen.
12.55 am Close: Personal choice with Bernard Hepton.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.00 Money-Go-Round. 2.30 Monday Film Matinee: "The Exile," starring Douglas Fairbanks Jr. 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 11.30 Monday Late Film: "Perilous Voyage." 1.10 am Reflection.

ATV

1.20 pm ATV Newsdesk. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "Don't Raise The Bridge Lower The River," starring Terry-Thomas, Jerry Lewis and Bernard Cribbins. 5.15 A Sharpe Intake of Breath. 6.00 ATV Today. 11.30 ATV Newsdesk. 11.35 Midlands Soccer Player of the Season. 12.20 am Something Different.

BORDER

1.20 pm Border News. 2.00 Money-Go-Round. †2.30 Monday Matinee: "Carnival," starring Sally Gray and Michael Wilding. 5.15 University Challenge. 6.00 Lookaround Monday. 6.10 About the Garden. 6.20 Out of Town. 6.50 PPB by the SNP. 11.30 Monday Movietime: "Assault," starring Suzy Kendall. 1.05 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "Do You Take This Stranger?" 4.12 Puffin's Birthday Greetings. 5.15 University Challenge. 6.00 Channel News. 6.10 Operation Handflint. 11.30 Luke's Kingdom. 12.25 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 Money-Go-Round. †2.30 Monday Matinee: "Moment Of Danger," starring Trevor Howard, Dorothy Dandridge and Edmund Purdom. 5.15 University Challenge. 6.00 North Tonight and Area Weather Forecast. 6.35 Country Focus. 9.55 Party Political Broadcast by the Scottish National Party. 11.30 Reflections. 11.35 The New Avengers. 12.30 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Money-Go-Round. 2.30 Monday Matinee: Rex Harrison in "Blithe Spirit." 5.15 The Rolf Harris Show. 6.00 Granada Reports. 6.30 This Is Your Right. 11.30 The Late Film: Glenn Ford in "Day Of The Evil Gun."

HTV

1.20 pm Report West Headlines. 2.00 Here Today. †2.30 The Monday Matinee: "No Highway," starring James Stewart and Marlene Dietrich. 5.15 Sam. 6.00 Report West. 10.35 Soccer Special. 11.30 Soap. 12.00 George Hamilton IV.

HTV Cymru/Wales—As HTV West/General Service except: 10.05-10.20 am [illegible]. 12.00-12.10 pm Trehetiau. 1.20 Penawdau Newyddion Y Dydd. 1.25-1.30 Report Wales Headlines. 2.00-2.30 Namdden. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

1.20 pm News and Road and Weather. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Exomen." 5.15 Little Vic. 6.00 Scotland Today. 6.40 Crimedesk. 6.55 A Party Political Broadcast by the Scottish National Party. 11.30 Late Call.

SOUTHERN

1.20 pm Southern News. 2.00 Money-Go-Round. 2.30 "Something For A Lonely Man," starring Dan Blocker. 5.15 You're Only Young Twice. 6.00 Day By Day, including Southsport. 10.30 Southern News Extra. 11.30 Koz.

TYNE TEES

9.20 am The Good Word, followed by North-East News. 1.20 pm North-East News and Lookaround. 2.00 Money-Go-Round. 2.30 Monday Matinee: "So Long At The Fair," starring Jean Simmons and Dirk Bogarde. 5.15 Mork and Mindy. 6.00 North-East News Headlines. 6.02 Play It Again. 6.25 Northern Life. 11.30 Northern Report. 12.00 Barney Miller. 12.30 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.00 Against the Wind. 2.30 Monday Matinee: "Don't Raise The Bridge Lower The River," starring Jerry Lewis and Terry Thomas. 4.13 Ulster News Headlines. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 11.30 The Odd Couple. 12.00 Gardening Today. 12.30 am Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "Do You Take This Stranger?" starring Gene Barry. 4.12 Gus Honeybun's Birthdays. 5.15 University Challenge. 6.00 Westward Diary. 10.28 Westward Late News and Weather. 11.30 Luke's Kingdom. 12.24 am Faith For Life. 12.30 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.00 Money-Go-Round. †2.30 Monday Matinee: "Busman's Honeymoon," starring Robert Montgomery and Constance Cummings. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Chips. 11.30 Kate Loves a Mystery.

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2. 8.02 pm Folk on 2 (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Ray Moore (S). 7.32 Terry Wogan (S) including 8.27 Racing Bulletin, 8.45 Pause For Thought and 9.03 Favourite Five Singles. 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music (S). 5.00 News. 5.05 Waggoners' Walk. 5.20 Much More Music (S). 5.55 Party Political Broadcast by the Labour Party. 6.03 John Dunn (S). ‡8.02-9.40 Soccer Special. 9.55 Sports Desk. 10.02 The Monday Movie Quiz. 10.30 Star Sound. 11.02 Peter Clayton with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

‡6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Mozart (S). 10.00 The Gibbons Family (S). 11.00 Halle Orchestra Concert, part 1 (S). 11.30 Interval Reading. 11.35 Concert, part 2. 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.15 Christopher Headington: 50th Birthday Tribute (S). 2.45 Matinee Musicale (S). 3.45 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S) (‡ and mono only from 6.20). 7.00 Islam and Politics Today (talk by Professor Elie Kedourie). 7.30 A Radio Concert from Brussels, part 1: Liszt, Reger, Zemlinsky (S). 8.40 Where Law and Order Start (first of two talks by R. A. Hodgkin). 9.00 Concert, part 2: Reger (S). 9.40 No Piece for a Lady by Betty Caplan (reading). 10.00 Hamish Milne piano recital (S). 10.45 Henri Dutilleux (S). 11.25 Jazz in Britain (S). 11.55-12.00 News.

VHF only—6.00-7.00 am and 6.20-7.00 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today at the EEC Summit, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; and 7.55 Thought for the Day. 8.35 The Week on 4. 8.45 Patrick Moore with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Money Box. 10.30 Daily Service. 10.45 Story Time. 11.00 News. 11.05 The Countryside in Spring. 11.50 Poetry Please! (S). 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1980 (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre (S). 4.45 Short Story. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News. 6.30 The 27-year Itch (S). 7.00 News. 7.05 The Archers. 7.20 Science Now. 7.45 The Monday Play (S). 9.05 Through My Window. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Conversation Piece. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 John Toogood's Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. [illegible]-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes in Luxemburg. 12.00 LBC Reports. 8.00 pm After Eight Special: Brian Hayes sums up the EEC summit meeting. 9.00 Nightline with Jimmy Greaves. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 5.00 Morning Music.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 1.00 pm London Today First Report (S). 1.10 Dave Cash (continued). 3.00 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Alan "Fluff" Freeman (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,261

ACROSS

1 Empty, sick inside and swaying to and fro (9)
6 Sober way to help (5)
9 Wrinkled as clothing may be (5)
10 Eats in rows and pandemonium (9)
11 Prepare soldier as protector of old cyclist's clothing (5-5)
12 Tale that's frequently spun (4)
14 Began again to total in a rush (7)
15 Imbue the French spire (7)
17 Airman left in deep mud? It's a wonder! (7)
19 Able to pay all debts and explain book (7)
20 Page a party (4)
22 Star sounds almost like what Indians produce by chewing (10)
25 Urgent meaning to worker (9)
26 I pry around in row (5)
27 Not going to church but nick (5)
28 Buffoonery making Arab produce music (9)

DOWN

1 State cover is legally adequate (5)
2 Swindle stupid leader of racketeers that's capable of taking charge (9)
3 Flower in woman's overall (5-5)
4 A place for football on the beach (7)
5 In the direction of notice in hospital (7)
6 Clothes to fit and please (4)
7 Ring that may be square (5)
8 Little Sidney turning up in underwear or undress (9)
13 Information brought up over nice leg broken for want of proper care (10)
14 Forgiveness for soldiers on military operation (9)
16 Preliminary pillar dna to be re-designed (9)
18 Look at whip that's made of hair (7)
19 Loud-voiced person producing gun on hill (7)
21 Drank up in storehouse (5)
23 Each of a number, the night before a festival, joins the extremes of revelry (5)
24 Roguish part of popular chorus (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Meg Davies

Bristol Old Vic

Bristol cream

by B. A. YOUNG

Richard Cottrell crowns his successful five year incumbency as artistic director of the Bristol Old Vic, with a fascinating *Edward II* at the New Vic, the small studio theatre. (He will be succeeded as artistic director by John David, a former student at the Bristol Old Vic Theatre School)

Marlowe's account of the King's affair with Gavestoo and the sinister machinations of Mortimer to win both Queen and Kingdom is played at a great pace on a metal grid with the audience all round (John McMurray is the designer). Scene chases scene on the stage with never a pause for breath. The players wear grey sweaters and breeches with only enough costume on top to identify the characters, a genuinely Elizabethan procedure. Twenty seven parts are played by 14 actors with little attempt at disguise: the lines say clearly enough who is who.

In fact, Mr. Cottrell has taken advantage of his small company to produce some savage ironies by introducing familiar faces. Edward thinks he recognises Gaveston in the person of a labourer as he is led away to captivity; later one of the soldiers guarding him at Killingworth is the double of Gaveston's successor Spencer. Most save of all, Clive Wood who plays Gaveston, also plays Lightborn, Vice punishing vice in a very explicit rendering of the King's horrible execution.

There is no camp about this homosexual relationship. Both Gaveston and Robert O'Mahoney's King are tough young fighters as tough as Achilles and Patroclus whatever their private amusements. Stuart Wilson gives a first-class Mortimer growing visibly more wicked as his schemes reach fruition: and Meg Davies is fine as Queen Isabella mixing regal dignity with sexual weakness. The speaking of the verse is admirable by the whole company.

In *All My Sons*, at the Theatre Royal, Arthur Miller sets himself to write a play "as untheatrical as possible." Anything suggesting a creative artiste was to be removed from the script. As far as dialogue and characterisation are concerned he has managed; the "metaphors images and figures of speech" are there, but they are properly attributable to the people who speak them.

On the other hand, he sets himself a mightily theatrical situation to work on. Young Chris, heir to his father Joe Keller's engineering works, wants to marry Annie Deevar. But Chris's mother believes that his alder brother Larry, reported missing in the war, is still alive and will come home and Annie was engaged to him. Moreover, Annie's father, formerly old Joe's father, is in jail for having sold 40 cylinder heads to the U.S. Air Force and there is a suspicion that it was Joe's fault not his partner's. No one can say there is anything untheatrical about the development of what is indeed a gripping story with its hidden clue revealed at the last moment: but Miller's failure in his objective may be readily forgiven since his failure gives us an exciting play.

It is admirably acted on John Elvery's naturalistic garden scene with the Keller's pretty clapboard house upstage. David Waller thunders out his belief that dishonesty may be accepted if it helps to hand on a goodly heritage to his son and Terence Wilton puts Chris's case for morality with an appropriate lack of restraint. Louise Jameson as Annie and June Barrie as Chris's mother provide similarly opposed views from the distaff side. John Dove is the director.

*

Leonard Rossiter's name somehow drops out of the sentence in which I praised his performance in *Make and Break* on Saturday. Let me praise it again now: Leonard Rossiter as John Garrard is outstandingly good even if not, apparently, unforgettable.

'Nabucco' at Bristol

The Bristol Opera Company is to present Verdi's *Nabucco* (in English) at the Victoria Rooms Theatre, Clifton, from Wednesday, April 30 to May 3, starting at 7.30 pm.

The producer will be Andrew Shore who has taken leading singing roles with Opera for All and Kent Opera as well as being involved in the production side with various companies.

Meg Davies and Stuart Wilson in 'Edward II'

The Soho Housing Association

by GILLIAN DARLEY

IT COMES as a surprise to discover within a couple of hundred yards of Piccadilly Circus tenement blocks without bathrooms. Similarly, it is surprising to learn that no new or renovated family housing has been provided in Soho by the council (Westminster) since the war. Clearly there was work to be done and the Soho Society grasped the nettle in 1973 with a co-ownership project; this in turn became a fair rent housing association, the Soho Housing Association, which has at the moment projects costing £2.5m at every stage from complete to outline schemes.

There is special housing need in Soho. Despite its more infamous trades, 50 per cent of exports in the Westminster area are from Soho and 25 per cent of manufacturing industry in the borough is in this small square. It is no dying inner city area but a thriving core; equally the restaurant and theatre trade employ large numbers of people who must live on the spot. Increasingly, as evening public transport contracts, it is essential to their jobs. A very large number of the Housing Association tenants are Italians which leads to unusually strong family ties and a high incidence of multi-generation households.

The first project to be completed in the programme of works for the Housing Association was the rehabilitation of a sturdy mansion block in Meard Street. It was opened by Prince Philip, in February. Architects Peter Mishcon and Associates ingeniously adapted the 12 sub-standard flats (again no bathrooms) to high standards, for remarkably low cost, and even managed to incorporate a toddler's playground on the roof. This benefits from clever touches such as the dual use of the fire escape stair as a slide, the seating for watching adults wrapped around the chimney stacks, and plenty of planting areas so that the place is a promising roof garden as well. Given the advantage taken of such roofs in New York or any Italian city it is curious to look out over the Soho roofscape (which affords marvellous views on every point of the compass) and see how little exploited this area remains. The Royalty Mansions playground is the first for small children in Soho.

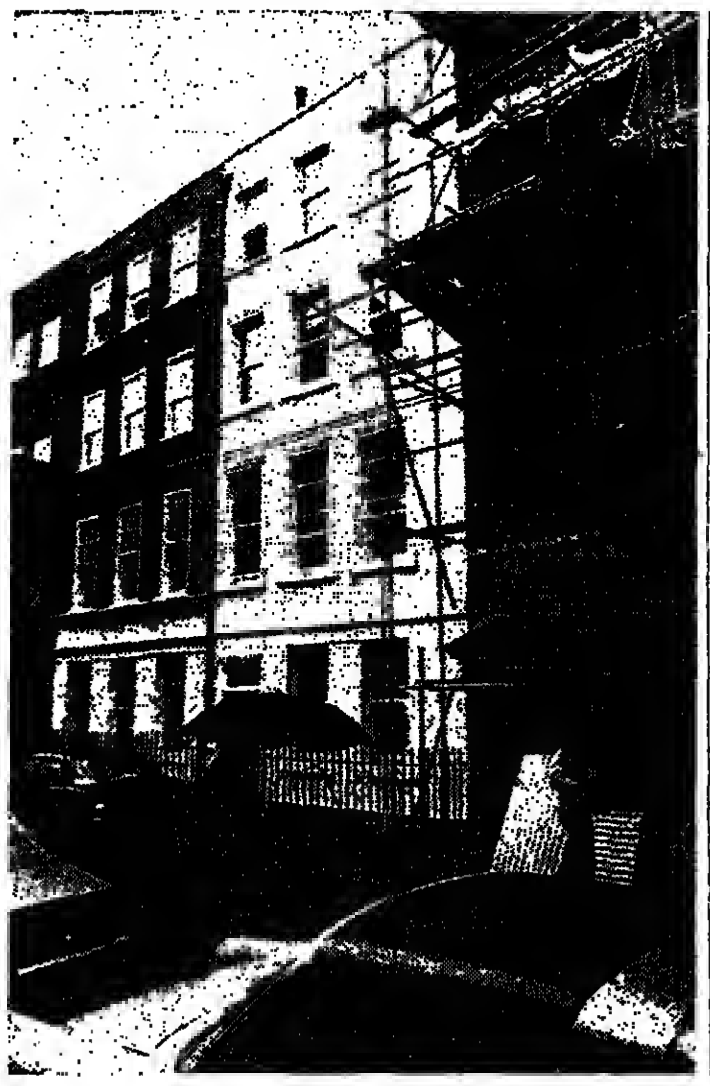
The Housing Association has under way an ambitious phased scheme for a block bounded by Brewer Street and Archer Street; from the present 140 desperately sub-standard units, 68 will emerge (and another roof garden). Westwood Piet Poole and Smart, architects for this scheme are demolishing one inner block to provide open space and better daylighting for the remaining blocks. Pronounced unfit some years ago by the council, they turn out to be robust buildings eminently suitable for adaptation. An attractive feature is a series of glazed balconies which will be restored. There are problems in carrying out works on such a constricted site (especially demolition) but "superb" contractors have leapt many of these hurdles. For the Housing Association the principle problem is the complex one of decanting tenants; however, on the whole, they are remarkably co-operative and resilient to hitches and temporary discomfort.

The third scheme "on the ground," a mixture of new housing in a terrace of Bridle Lane (taking up some of the housing loss on the former scheme) and rehabilitation of listed 1720s housing in Great Pulteney Street is being carried out by Feilden and Mawson. The latter is undoubtedly the trickiest: adaptation of early Georgian houses with much of their interiors intact, to small flat and maisonette units is, with the best will in the world, awkward, expensive and difficult to reconcile with the character of the housing.

Two of the houses are finished and phase two, now under way, has benefited from the experience. Yet with no Clerk of Works on site there have been mistakes and accidents to irreplaceable fittings and while some rooms have retained their proportions and characters, others have gone.

Listed buildings present special problems and allow for special solutions and there needs to be much more research into this area, with more exchange of information between architects practised in such work. Other schemes that the Soho Housing Association is drawing up include two mixed use projects. The resolution of this complex position is crucial to central urban development and the Inner City Commercial Premises Association is a body working along with the housing association to find some answers.

All schemes, those on the ground and those, as yet, "in the air" require enormous expenditure of time and effort from everybody concerned. The architects shoulder a considerable burden; Housing Corporation finance is limited, the technical problems considerable. However it becomes clear, talking to the many individuals involved, that the task of reviving the housing stock of Soho is eminently worthwhile and, in the long run, very satisfying. It all gives the overworked phrase "inner city" a novel ring of optimism — there seem few enough cheerful events in that area at the moment.



Georgian houses in Great Pulteney Street

Wigmore Hall

Syntagma Musicum

by FRANK DOBBINS

A large audience greeted the Amsterdam group's Wigmore Hall concert on Thursday night and were rewarded with a fine performance of 15th and 16th century motets and partsongs by Dufay and some of his successors. The success stemmed principally from the vocal skills of Rita Dams and Marius van Altena supported by an instrumental quintet which generally coordinated the polyphonic lines of the music with clarity and equilibrium. The sackbut and bass viol which accompanied the vocal duo in the opening double motet by Dufay may not represent an entirely authentic combination, but they provided an admirable foil to the lucid lines of the vocal duo. The flute and recorders which joined in other motets and chansons by the same composer were less impressive and the three crumhorns which played alone in "Hélas et quant vous veray" were painfully ill-tuned.

Good intonation, lucid phrasing and rhythmic accuracy are all essential for the complex lines of Dufray's music to combine effectively. The singers possessed these qualities in abundance and their performances were consistently distinguished even in the Lament for the fall of Constantinople where the low tessitura of the top part could hardly have been natural for the mezzo-soprano. They achieved a delightful, spritely interpretation of 'Je veul chanter' and 'Ce moy de may' and combined with lyrical sweetness in the eloquent setting of Petrach's 'Vergine bella.' Complex melismas and cross-rhythms offered them no problems in the sparkling version of 'L'alta belleza' which concluded the first half of the programme.

The second half was devoted principally to four settings of "Alma redemptoris mater," all using common melodic material and representing a chronological evolution of musical styles: the first anonymous version dating from the early 15th-century included English tropes, the second reflected the artistry of another English composer, John Dunstable, who exerted a considerable influence on Dufay whose richer harmonies were excelled by those of his Flemish successor Josquin.

The concert concluded with a selection of partsongs by Obrecht, Isaac, Pierre de la Rue and Compère which illustrated the verve and humour of which the Dutch are sometimes capable. Newsidler's rather dull and mechanical transcription of *Tondernaken* at last offered the lutenist an opportunity to display his ability to play more than one part while Compère's chanson "Alons qui nous fait barbe" provided a fitting and spirited conclusion for the wind and voices.

Book of the Year Award

A new "Book of the Year" award will be made at this year's Whitbread Literary Awards, increasing the prize money to a total of £10,000 from £4,500.

The authors in the three categories of "Best Book," "Best Biography or Autobiography" and "Best Children's Book" will each receive £2,500 and, in addition, one of these three winning works will be chosen "Book of the Year."

"The author will receive a further award of £2,500 and the Book of the Year will not be decided until the day of presentation, which is normally in November," a Whitbread spokesman explained.

Judges for the 1980 awards, which are ten years old this year, are author and critic Penelope Mortimer, a former Whitbread Award winner, John Rae, headmaster of Westminster School and author of children's books and Nicholas Bagnall, literary editor of the Sunday Telegraph.

Bursary scheme for piano tuner/technicians

The Arts Council is again to finance an advanced training scheme for piano tuner/technicians wishing to work in the specialist field of concert performances. For the second time Steinway and Sons have offered to provide the year's training free of charge and the Arts Council will provide a bursary to help the selected trainee with personal costs.

Closing date for entries is Friday, May 30.

The scheme is open to all tuner/technicians, including those who are about to complete a full-time training course; applicants seeking help for basic training will not be considered.

The first bursary was awarded to Martin Locke in 1979.

Bicentennial fellowships

The five British candidate who have been awarded fellowships under the United Kingdom/United States Bicentennial Fellowships scheme, now in its fifth year, are Tony Loogsoo, Philip Martin, Snoo Wilson, Clive Sinclair and Patrick Ward.

The fellowships which are worth £9,720, provide for the exchange of up to five Britons and five Americans annually in the creative and performed arts.

Ferrier Memorial Scholarship prizes

The finals of the Kathleen Ferrier Memorial Scholarship (celebrating this year its 25th anniversary) took place at the Wigmore Hall last Friday, in the presence of the Duchess of Kent.

The adjudicators were Bruce Boyce, Joan Chissell, Sir Keith Falkner, Alfreda Hodgson and Dr. Gerald Moore, chairman of the panel, who announced the following results: Kathleen Ferrier Prize (1st prize, £2,000): Penelope Walker, contralto; Decca-Kathleen Ferrier Prize (2nd prize, £1,000): Stewart Buchanan, baritone.

Wigmore Hall

Ann Woodward

by ANDREW CLEMENTS

A graduate of the Curtis Institute and the Yale Music School, Ann Woodward made her London debut on Saturday afternoon at the Wigmore Hall. Violists do not have an extensive choice of material for solo recitals, but even so Miss Woodward's selection was bold and valuable: works by contemporary American composers, all but one of them (Ernest Bloch) still composing.

But enterprise and crusading zeal are not always well rewarded. Although there was ample proof that Miss Woodward is an accomplished and intelligent player (if prone to moments of insecurity) the content of her recital was too uniform for comfortable assimilation. The curious brand of rehashed romanticism that informs the music of so many of the older generation of American composers — represented here by Ross Lee Finney and George Rochberg—falls too easily on the ear: the sound events are grateful enough, but undemanding.

Rochberg's latter-day conversion from thorny serialist to soft-centred Mahlerite seems particularly hard to accept. We heard the British premiere of his Viola Sonata, written last year, and tawdry stuff it was, with an exceptionally mawkish central Adagio. Finney studied first with Nadia Boulanger and later with Alban Berg—an unlikely succession of teachers. He is an earnest seeker after fusions of tonal working and serial techniques, though in his second viola sonata of 1953, the product seems routinely characterised lyricism.

What positive shapes there were in this recital had been offered first. Elliott Carter's *Pastorale* is not especially suitable as an opener; its writing is too dense and the demands made of the viola too unidiomatic to create the most favourable impression. Yet its fertility seems endless; the rhythmic variety, and sudden changes of gear and mood chafe against the modal ambitions of the first melody. It demonstrates the dilemma of Carter's music in the 1940s quite precisely, that opposite pulls of creating a popular music and of writing the music that expressed what he wants to express. But out of the tension a taut essay emerges, and its obvious talent cast a very unfavourable light on the rest of Saturday afternoon's programme.

Julia Cload

by DAVID MURRAY

Miss Cload's piano recital on Friday proved interesting beyound her programme of familiar masterworks. She searched into them—even on occasion worried at them—with dedicated intensity, and a quite personal form of keyboard address. Above all she prized her rests: not portentous dramatic silences, but simply the points where phrases end, which she marked as if with a didactic pencil. No simple fadeaway, no pedal-wake behind, always a clean cut. The effect was not dry, but it gave a special insulated significance to each phrase. In the Bach Chromatic Fantasy and Fugue, one assumed that this was Miss Cload's way of rendering the harpsichord rhetoric for the piano—and very striking too, fixing the attention on the power of Bach's invention instead of on the pianist's prowess.

With Beethoven's E-flat Sonata op. 31, no. 3, it became clear that it was not Miss Cload's Bach manner, but her manner *tout court*. From the opening phrases, all the written rests were taken absolutely literally — disconcerting because so uncommon — and everything between them spelled out with intelligent plainness and with a saving rhythmic vitality. The E-flat Sonata is a comic work; this anti-inflationary treatment succeeded charmingly, like a joke which had found just the right deadpan delivery.

Always in her particular style, she took up the D minor Fantasia, K. 397, of Mozart with un-antiquarian passion. Like all very good performances of the Fantasia, this one suggested that Mozart's expressive material was constantly in danger of exploding its modest formal case. In Schumann's Fantasy in C, which is not formally modest or constrained at all, Miss Cload's microscopic concentration began to seem one-sided. The work took some 36 minutes, not because her basic tempi were unduly slow, but because of her anxiety to plumb the significance of every expressive turn, every bit of quasi-recitative. It was riveting to listen to, but the bold sweep of the work was undeniably hobbled—it has a longer stride than she left room for. I must add that she has tonal and technical resources on a generous, cultivated scale (not quite proof against the hazards of Schumann's middle movement). She seems to me a remarkably interesting and thoughtful musician.

St. John's, Smith Square

Music Group of London

If there is a difference in emphasis when a piano quintet is played by five independent instrumentalists, rather than by an established string quartet with guest pianist, the Music Group of London would be likely to reveal it. Almost alone of ensembles working in the mainstream of chamber music it draws its personnel from a wide range of backgrounds; if there is a core it is the piano trio of Hugh Bean, Eileen Croxford and David Parkhouse. Otherwise the players come together only for concerts by the Music Group.

In Schubert's Octet, which closed last Thursday's concert in St. John's, the approach allows an easy, relaxed performance—too relaxed at times for the good of intonation—that does not concern itself with higher truths but is content to produce unaffected music-making. The lack of a dominant shaping personality is hardly noticed here; but in Shostakovich's piano quintet it creates more of a problem. The finale of the quintet (in parts sounding uncannily like refracted Dvorak) suits the consensus policy well. But the opening Lento and the Scherzo in particular needed evidence of a firmer hand, though the fugue was delicately shaped and shaded; and there are moments of high spirits throughout the work whose vulgarity deserves honest recognition.

The programme had opened with a trio for violin, cello and horn in F major by Danzi, pleasant and unremarkable. Some nimble horn playing from Alan Civil apart, it was played somewhat carelessly; novelties demand the same thorough preparation as more familiar fare if they are to be justified for their own sake.

ANDREW CLEMENTS

RUGBY BY PETER ROBBINS

Creativity loses to containment

SCHWEPPES, clearly pleased with its sponsorship of the Welsh Rugby Union Cup, has just announced it will continue its investment for a further three years.

The sponsorship figure is be raised to £90,000 and will be index linked.

This competition is one of the easiest to administer because major Welsh clubs are close together and the final is now well established as the third most important Welsh rugby event.

The closeness of the clubs has been a great advantage, particularly since the advent of organised coaching and especially for the national team.

But it is a positive disadvantage when both team and individual tactics are so well known that an attitude of prevention rather than creativity prevails among clubs.

It was this very attitude that spoiled Saturday's final between Bridgend, the holders, and Swansea.

Bridgend won 15—9, although with only minutes left the teams were level with three penalties each. Then Davies, Bridgend's mobile hooker, took his second strike against the head. Garald Williams broke on the blind side, and Owen scored the winning try which Fenwick converted.

Having seen Swansea beat Newport in a breathtakingly fast semi-final, it was disappointing to see the team so obviously out of sorts.

David Richards was much missed at fly-half, not because Dacey played badly but because Richards engenders confidence and instills a sense of order into the centres.

Meredith and Jenkins in the Swansea centre did make late breaks, but Swansea's game is based on creating an overlap from second-phase possession.

It was in this phase that Bridgend won the game. They effectively killed Swansea's possession at the breakdown, thanks to the excellent work of Jones, Ellis and Gareth Williams in their back row.

Wheel had a quiet day and with the Swansea front row experiencing considerable problems, the onus was on the back row.

When Bridgend had a prolonged period of pressure just on half time, Keyworth, Cheeseman and Roberts mounted a heroic defence to keep them out. Brynmor Williams also played an exemplary part.

Unfortunately Swift's defence on Owen was not in the same class, and the Bridgend left-winger had already beaten him twice on the inside before scoring that winning try.

It was a major surprise that Bridgend dominated the Swansea pack and the champions were particularly adept at the rolling maul.

Bridgend also used the four-man line-out in which Gareth Williams had the better of the Swansea opposition.

Yet that was only part of the young flanker's contribution. He catalysed the others with his non-stop running and controlled aggression. He covered tirelessly and was still going well at the end of a fast game. Such talent presages a bright future, and Ellis, the No. 8, was never far behind him in any phase.

It was strange that Bridgend did not score during a ten-minute siege of the Swansea line just before half time.

It was Wales-Scotland all over again, and Gerald Williams and Ellis could and should have let the ball out once or twice from a succession of scrums. That is the most difficult position to score from when the blind side is restricted as it was.

In spite of that tactical lapse, Williams had a splendid game and one can only marvel at the apparently endless supply of class scrum halves in Wales.

Bridgend's fly-half Pearce also showed class but, as things were, Bridgend were not desperately interested in using the other three-quarters in attack.

J. P. R. Williams infiltrated the line to put his brother away on the right, and also attempted the odd sortie upfield. But it did not have the same dash or physical commitment.

Comebacks are always risky and, although JPR was security itself in all he did, I would have preferred to remember him as he was, not as he is.

One might say the same of Fenwick. No one can deny his contribution to his club or country's success over the years but I suspect the time has now come for him to make way.

TENNIS BY JOHN BARRETT

Showbiz spectaculars hold the stage

WE HAVE reached the point in the tennis calendar when the richly-rewarded "showbiz" events hold centre stage.

This week in Dallas the eight singles finalists of the World Championship of Tennis will share $200,000, and the eight doubles players a further $50,000. Far away, on the edge of the Arabian desert, eight more of the world's leading professionals will benefit by $50,000 at the BP Dubai Classic.

Next week, there are two clashing events — the Ambré Solaire Nations Cup in Düsseldorf for eight national teams of up to three players each, and the WCT Tournament of Champions at Forest Hills, New York, for some 32 tournament winners—which together will offer a staggering $900,000 in prize money and bonuses.

These spectaculars are an important and necessary part of the modern professional game, provided that they remain in those weeks designated for them by the Men's International Professional Tennis Council, which, as we shall see, is not always the case.

The WCT finals in Dallas, which this year celebrate their tenth anniversary as the first event in the new 17,600-seat Reunion Arena, have probably contributed more to the growth of professional tennis since 1968 than any other single event.

Staged with flair and imagination by WCT directors, Lamar Hunt (brother of silver speculator Bunker) and his nephew Al Hill, and directed by former British No. 1 Michael Davies, this annual play-off among the points leaders of the WCT tour has set new standards for professional presentation.

This year's field is the youngest in the history of the event, with an average age of 22 years, and includes five of the brightest prospects in the game, who join the established stars, John McEnroe, himself only 21, Jimmy Connors, and the talented Indian Vijay Amritraj.

Heinz Gunthardt (21), of Switzerland, and the 20-year-old Czech Ivan Lendl were the world's leading juniors in 1977 and 1978. They are both now established among the top echelon of the men's game.

Gunthardt won the Rotterdam tournament, beating the world No. 6, Gene Mayer (USA) in the final and Lendl won the last of the eight WCT titles in Houston with a first-class win again Eddie Dibbs, a former finalist in Dallas.

John Sadri, a 23-year-old right-hander from Charlotte, Carolina, has been causing a stir with the power of his service, which helped him to reach the final of the Australian Championships in December, where he extended Guillermo Vilas, and to win the New Zealand title, and has earned him the scalps of Gerulaitis, Smith, and Solomon.

The 22-year-old South African Johan Kriek impressed me greatly in the U.S. Open last September with his speed and flexibility. His victory over Gerulaitis in Milan put paid to the American former WCT champion's chance of repeating his 1978 win.

At last, Dallas-born Bill Scanlon, a 23-year-old former U.S. inter-collegiate champion, seems likely to fulfil his considerable potential. He finished second to McEnroe on the points table, which underlines his consistency and has beaten Vilas, Gottfried (twice), and Solomon.

McEnroe, then, has no easy ride this week, and will be pushed to his limits by this eager band of young challengers to retain the title he won spectacularly last year with back-to-back wins over Connors and Borg, who has not put the WCT finals on his priority list this year.

The BP Dubai Classic, played on the format of the Grand Prix Masters, is essentially a pioneering event. There is a strong field, with three leading Americans — Victor Amaya (a winner last week over Tanner), the 1970 Wimbledon semi-finalist Pat Dupre, and the Grand Prix doubles winner Sherwood Stewart, two Australians, Mark Edmondson and Rod Frawley, who has had a tremendous run this last six months, plus three Europeans, Mark Cox (GB), Patrice Dominguez (France), and the Yugoslave No. 1, Zeljko Franulovic.

This is the first $50,000 tournament in the Gulf, and from the interest it has aroused locally it would seem to be an ideal advert for the game.

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The West, Iran and the Gulf

IN THE immediate aftermath of the abortive attempt to rescue the American hostages, the unlty of the alliance must be the fundamental concern of Western leaders. But the European Community aummit in Luxembourg should also urgently address itself to the damage that armed intervention, alheit on a limited scale and for a just cause, has done to the already deteriorating relations of the U.S. and the West as a whole with the Arab and other Islamic states of the region. Not the least, tbe leaders of the Nine should examine ways to improve them and not be besitant in expressing its recommendationa forclbly to the Administration.

Violation

All the states in the turbulent swathe of territory stretching from the Bosporus to tbe Karakoram Mountains have condemned or criticised the gross violation of internationel law by Iran. The exception is Syria, which for its own reasons related to the Arab-Israeli conflict, has kept silent on the subject. Some, no doubt, secretly would have liked to see the dsring American mission succeed. However, lf it had, they could not have applauded the operation openly. Apart from Oman which agreed to make military facilities available to the U.S. earlier tbis year (hut has not publicly confirmed as much), every country in the region is formally opposed to any military interveotlon in the Culf. These countries were unresponsive to the promise made by President Carter in January to defend them following the Soviet lnvasinn of Afghanistan.

Both the launching of the American rescue operation and its fallure may well reinforce the trend towards non-alignment that was fully evident a year ago wheo Saudi Arabia and Jordan decided their security was best assured by keeplng withln the fold of majorlty Arab consensus and rejected the Egyptian-Israeli peace treaty. Three months ago the Islamlc solemnly declared its opposltion to ioterventlon and lnterference io the region hy either super-power.

The general outcome of the meeting was thst stabillty and security would hast he achieved by solidarity and neutrality, now a well-established principle thst has in no way been undermined hy the bitter quarrel between Iran and Iraq. Part of the price for the strongest possihle solution condemning the Soviet invasion of Afghanistan was one expressing concern over U.S. pressure on Iran. Thus, Islamic solidarity aside, all the countries of the region deplore the prospect of concerted economic sanctions, arguing that tightening the screws can only increase instability in the region to the detriment of existing regimes snd to the advantage of the Soviet Union.

The U.S. and West hadly need stability in the region and the support of the Islamic countries there, particularly those in the Culf whose oil is the life-blood of the world's economy. Their relations with them, however, have been increasingly distorted by the Middle East conflict, which politically bas been aggravated rather thsn solved by the hilateral Israeli-Egyptian peace treaty, and the failure in any way to satisfy tbe aspirations of the Palestinian people or remedy its deep grievances. The Islamabad Conference sbowed the problem of Jerusalem to be more important to the participants than the Soviet rape of Afghanistan. It is significant that King Hussein of Jordan, a close friend of the West for more than two decades, last week should have described Jordan's relations with the U.S. as being worse now thsn at any point in his 27-year reign. Criticism of Soviet action in Afghanistan would win no Moslem support while Jerusalem remained under Israeli control, he warned.

Leverage

The o nly effective way to repair the crumbling hridges between the West and the Moslem countries is for President Carter to consolidate his one foreign policy success, the Peace treaty, hy bringing about a form of Palestinlan self-determination giving some satisfaction to a people who are either under military occupation or refugees. The bltherto desultory talks on autonomy for the inhabitants of the West Bank and Gaza Strip not only seem unlikely to he concluded hy the May 26 deadline but as yet have shown no prospect of resulting ln any self-rule owrthy of the name. Regardless of his electoral campaign. President Carter should now exercise the potential leverage that the U.S. undoubtedly has over Israel to bring about a comprehensive peace settlement ln the Middle East which Arah and Moslem states other thsn Egypt can in some way endorse.

Not obscene, but ill-deserved

THE RENEWED Labour assault on the "obscene" profits of the clearing banks in Parllament last week was a little disingenuous; the old Wilson enthusiasm for mergers of all kinds did a good deal to foster the oligopoly whicb has helped to protect clearing bank profits. Nevertheless, the Covernment's reaction was reserved; the idea of penalising the clearing banks in some way has been shelved, but not altogether rejected. This reaction, despite tbe temptation to score off the Opposition, shows good sense. There are sound reasons for concern over the performance of the banks—and equally sound reasons for suppoaing tbat a tax would he the most irrelevant answer to the problems that exist.

Protection

Wbat needs to be said clearly is that the inflated profits recently declared by the clearing banks are neither "necessary" nor a normal expressioo of the husiness cycle—arguments which bave been advanced by the Bank of England. It is certainly desirahle that a hank, like any other enterprise, should earn enough to finance the maiotenance, of ita working capital; but banks have no spacial claim to protection in their efforts to do so, especially if their success is at tbe expense of other, barder pressed corporations in the industrial sector. In any case, the growtb of hanking profita has heeo well in excess of the rate of inflation, not just thia year, htu for several years. There is no conceivable case for e protective attitude to bank profits.

This is not in itself any argument for criticising sucb profits; but there are other arguments. The reason why the profits of the English clearing hanks rise so steeply when lnterest rates are high is nothing to do wlth the nature of hsnking—in tbe U.S., the financial squeeze has imposed large losses on the banks. It ls largely due, as the cbairman of Barclays frankly ecknowledged ln his annual statement, to their so-called "endowment"—the fact that they pay no interest on current retail deposits (though larga clients enjoy interest-bearing overnight facilities).

This is largely an English phenomeoon. The canny Scots have long since learned to economise on non-rewarding holdings, and to mohilise deposit accouots for current settlements. As interest rates rise, the scale of ibis endowment increases far faster than the cost of servicing current accounts.

It is not perhaps surprising, in these circumstances, that the clearing banks have been losing retail deposits to rival institutions — notably to the building societies, some of whicb are now installing cash dispensers to serve what are essentially current depositors. What is more surprising is that, despite the trading advantage offered by low-cost deposits, the clearing banks have also heen losing a significant slice of tbeir lending market. Foreign banks now service nearly a third of the British corporate markel — another example of "import" penetrstion on a scale unkonwn elsewhere. At the same time the services offered are clearly not as attractive as they might be; Britain has almost the highest unbanked population in the developed world.

All this suggests that the Governmeot sbould legitimately be concerned about the structure of retail hanking, especially in England. It is far too late to consider undoing any of the mergers which now dominata the market, hut it ls not too late to declare a welcome for any new competitors in the market. Potential competitors include some foreign hanks who wish to enter tbe retail market, and the building societies, which need not he prevented from offering a wider range of services.

Discipline

At the end of tbe day competition would not reduce the high interest rates which are necessary to check inflatloo, hut it would pess a larger proportion of this flow of lncome into the hands of the thrifty, reinforcing monetary discipline while helping to maintain incomes. Financial intermediaries are the natural cbannel for ths transfer; they bave no claim to colect, for their own henefit, a one-way tax on horrowing.

A U.S. melodrama that has not yet ended

By JUREK MARTIN, U.S. Editor in Washington

THE Gulf of Perception between Europe and the U.S. can rarely have been wider. In Hamburg on Friday, a selection of sophisticated European Finance Ministers and senior officials attending tbe IMF meeting, were collectively throwing up their hands as news of the aborted U.S. raid into Iran unfolded.

Their comments were pained and worried: did Carter not know tbe risks be was running for world peaca? Are 53 American lives worth a glohal holocaust? Should the allies not have been consulted in advance rather than led down a primrose peth into believing that their support of diplomatic and economic sanctions meant that the U.S. would, for the moment, eschew any form of military option? Is the American military really as incompetent as initial accounts of the raid suggested? And what does this mean for the security of Europe, not to mention the oil producing Gulf, against the proven might of the Soviet Union?

Some of these concerns are apperent in Waahington. But tbey must be sharply contrasted with a mood which is by no means as critical of President Carter, grim though it nonetheless is. Although the full details of why the adventure was called off have not been told, the tendency among many in Washington is to ascrihe it to bad luck. Americans have been growing progressively more insistent in their demands that the President "do something" about the nearly helf-year long incarceration of the embassy staff in Tehran and, at least temporarily, seem as much satisfied by the fact that he tried as the undeniable fact that he failed.

The Important Michigan Democratic Party caucuses on Saturday certtainly provided no instant clues that the public was turning against the Presidant. He and Senator Kennedy finisbesd ln a virtual dead heat. Admittadly the closed caucuses, attracting only 16,000 odd participants, was far from a pure test of public oplnlon, which might have been ohtainable in a fully-fledged primary.

But it tended to confirm the proposition that it is very hard to determlne how each stage of the Iranlan drama will affect the electoral process. That the Presldeotial race has itself become another Iranlan hostage ls undeniable; it now looks as though it will continue to be so all the way until November 4, election dey ln the U.S. and the first annlversary of the taking of the hostages.

But some of the wllder rumours heard ln Europe lest week—that President Carter might even withdraw from the race—find no echo bere. Back ln 1961, President Kennedy noted after the Bay of Pigs disaster that had he heen Head of Government in a parliamentary system he would bave been forced to resign from office. Some of hls brothers more ardent supporters (Congressman Henry Reuss of Wisconsin, for one) were suggesting over the weekend that this is precisely what Mr. Carter should do now.

A dead American and part of the aircraft wreckage after the abortive Tabas raid

But nobody expects this to heppen, least of all those who are contending for the White House. The reserved, even statesmanlike comments from Messrs Kennedy, Reagan and Busb reflect both their sense thet national unity is as importane as their own presidential amhitions as well as their obvious caution not to be seen to be misreading the political fellout from this latest Iranlan adventure. Mr. Reagan, above all others, still bas tima to exploit Iran in the months before the Novemher election.

Mr. Carter is leaning on a tight group led by Dr. Zbigniew Brzezinski

A key element ln both the puhlic and political reaction—and, without doubt, ln the eventual drawing together nf the tattered shreds of Amerlcan foreign pollcy—will be the lnvestigations lnto what went wrong last week at Tahas. U.S. institutions—above all the Congress and the media—tend to have a more coosuming interest ln the retrospectlve whos, wbats, whys and wberes of such an incideot than ln what lt means for the future of Amerlce's role ln the world. (The Watergate scandals are a classlc example of this.)

It is apparent that the full story has yet to be told. It may be assumed that the administration's reluctance to come completely clean is hotb legitimate and understandable, if the full truth, and nothing but the truth, meant compromising the safety of those in Tehran (Americans and/or Iranians) who were to assist ln the raid on the Embassy compound.

But all recent bistory suggests that American patience about not knowing the full story is not infinite, and when they come detailed revelations about the raid conld produce hotb collective and individual damage to the Carter Administration.

This process is hardly going to belp the Western allies as they try hoth to interpret and perbaps lnfluence the subsequent course of American foreign policy. In the short term, though it is impossible to say how long this will last, some elements are clear. The U.S. still clearly expects its alties to endorse the programme of diplomatic and commercial saoctions against Iran drawn up hy European Foreign Ministers a week ago. If the EEC beads of Government fail to do this, then the West will be thrown into an unholy crisis of confidence—which the U.S. ls coovinced lts friends are determlned to avoid, whatever their private reservations.

Put aoother, more cynical way, the U.S. Government is of the oplnion that lf the allies want to exert lnfluence over American action then they can nnly do lt from the lnslde—as lt were, by co-operation—and not from the outslde by dlssociating themselves from American policy.

It must also be apparent by now that though the allies may see the Sovlet lnvasion of Afgbanistan as a much more serious problem than the American confrontation with Iran the distiction between the two ln U.S. eyes ls less ohvious This ls partly because of the emotion geoerated here over the pligbt of the hostages: but it also reflects a more sustalnable view that no marriage between Iran and the Soviet Union would ever endure. This is simply because the gulf between the Islamic clergy and the Soviet Union ls inherently too wide

In othar words, U.S. policy will continue to be directed at the central proposition that it ia in Iran's long-term interest to resolve detention of the bostages. Some officials even argue that last week's raid demonstrated that the U.S. still bas the capability of striking deep into Iran, without being detected, and that one failure does not mean that subsequent attempts would end np so dismally.

Yet there is clearly a certain amonnt of pie-in-the-sky optimism about this. Confidence in American military prowess has undoubtedly heen weakened by last week's failure. Even allowing for the fact that the full story has not been told, it does seem clear tbat the operation wes lnadequately planned and executed: That great manifestation of technological warfare, the combat helicopter, was shown up as a fallihle lnstrument of attack ln the Iranian desert as graphically as it ever was ln the jungles of Vietnam. This is not the first occasion in recent years that military execution has been defective—the Mayaguez lncident in 1975, and the attempt to free American prisoners of war from the Sontay prison outside Hanol ln 1970 immediately spring to mind—hut the latest instance comes at a time wben American policy in the Gulf area is predlctated on the existence of an attack force capahle of striklng efficiently wberever trouble arises.

The so-called Carter doctrine towards the region unveiled earlier this year devotes maximum attentlon to huilding up a rapid deployment force: in recent months, U.S. policy has been concerned with establisbing base facilities from wbich such a force migbt operate. Admittedly, this force is not due to possess full combat readlness until 1985 but it had been the unspoken assumption in the interim period that the U.S. would not be bereft of conventional military capability. That assumption must now be questioned in the wake of the Iranian failure—and, officials bere concede—must cause great unease in those Gulf states which still trust in the efficacy of the American militsry sbield. It will not be easy for the U.S. to convince friendly Arab nations tbat their trust is not misplaced. On the other band, some officials believe that, at least privately, the Saudi Arablans and other oil producing States will not be displeased that the U.S. showed lts willingness to use military muscle, even if the action itself failed.

Another concern of the allies is the structure of decision making in Washington

Another central concern of America's allies is the structure of whole foreign policy decision-making process in Washington. This was brongbt lnto acute focus in the middel of last week by press reports of a special White House meeting, at which senior aides were asked for their opinions on the military options open to the U.S. in Iran

Much derided at the time, it is possible to see the leaked new stories of this event as part of a calculated attempt by those very few officials who knew ahout the rald to lull the Iranians into a sense of false security. It is now clear that the dacision to proceed with tbe rescue attempt was authorised some weeks ago: thereafter pnblic comments by the Administration lost some of tbeir bellicosity. The allied sanctions programme agreed in Luxembourg a week ago may further have contributed to what CIA agents know as "disinformation" (though the European nations, it seems, were unwitting participants in the process) in so far as it implied that the U.S. wanted first to apply conventional non-military pressure.

Yet, even allowing for the artfulness with which the President and his inner circle may have pursued this couse, one central fact remains. This is that Mr. Carter seems to be leaning increasingly for advice on a tight group led by Dr. Zbigniew Brzezinski, his National Security Adviser, and progressively eschewing the more moderate advice be is getting from his conventional Secretary of State, Mr. Cyrus Vance, who it has emerged, was actually away on holiday when the decision to go through with the rescue attempt was made.

Dr. Brzezinski is not a popular figure in Washington, any more than be is in European capitals. Senator Henry Jackson warned over the weekend of the dangers inherent in "born again hawks," implying clearly that Mr. Carter's eminence grise was his National Security Adviser. Only a few days ago, one Congressional committee held hearings on the proposition that the National Security Adviser shonld, like Cabinet members, be approved by Congress, not merely appointed by the President.

Moreover, as his fondling of a rifle in the Khyber Pass a few months back so graphically demonstrated, he seems to possess the un-military man's perennial fascination with and faith in the efficacy of the military option.

This confidence has presumably been temporarily dented. It is hard to see bow the U.S. can launch another para-military operation now that the bostages have been dispersed around Iran. There is some bope bere that this very act will make lt harder for the militants to maintain secure control of their captives: but lt is also accepted that nothing in Iran ls predictable these days, which is wby the U.S. ls ruling nothing out in the future.

As Lord Carrington will undoubtedly find out when be comes to Washington this week, there is no inclination on the part of Americans, be they in Government or out of it, to apologise for what happened last week or even to regret the incident. The whola bostage saga has struck deep into the American psyche. It is lnfluencing the political process in a way which previous elections have not bean—even though international crises bave a way of cropping up to coincide with American elections. The debate on tactics, consequences and motives is intense already and llkely to grow more so. It is an lnternal melodrama that America's frlends in the world must realise has not necessarily reached its final act.

MEN AND MATTERS

Stable cleaner branches out

I found Alan Cruher leanlng on a shovel in the Savoy coffee lounge. Tbe shovel, metaphorical of course, was the one he used to tackle the mucking out of that latter-day Augean stable, Equity Funding. Readers will remember the stink which followed the collapse of this U.S. insurance company which sold some 56,000 bogus policies to reinsurers.

Now pristine, odourless and transmogrified into the Orion Capital Corporation, the com- 100 major U.S. banks and financial institutions within fall-out range of the so-called "billion dollar bubble," has entered its first full-scsle oversess venture.

Gruber, chairman and chief executive, was in London to tie up the ends of a reinsurance consortium involving his company and Britisb, West Germao and Japanese interests. But with four years of blameless growth at Orioo behind him, I found him still more than bappy to reflect on the task he took on ln the aftermath of the Equity acandal.

A company doctor of some renown, he was head-huoted in 1975 from the fringes of the Rockefeller empire and instructed to make what he could of the remnants of the fraud-ridden Equity corporation. Robert Loeffler, the trustee appointed after the collapse in 1973, bad no wish to take on the job.

"We did not have a river to dlvert through the Augean stables," Gruber told me. "I had to use a shovel." What he found heneath the mire was two "clean" life insurance companiea on which to build.

Orion, springing from well-ferlised ground, has grown cautiously and steadily. It has just celebrated its fourth "re-birthday" with earnings of more than $14m — more than double last year. Caution, however, is still those of its first operational the catchword. "I am a little schizophrenic about what we should do," said Gruber. "When you are pushing for performance lt is easy to take risks in this husiness. We want to he dynamic and progressive, but we feel a duty to keep well out of trouble."

Now out of jail, but still not out of the wood, is Stanley Goldblum, the man wbo began the whole Equity affair in 1960. He went to prison with a $300m judgment against him. This was reduced to a trifling $100m when he was adjudged insolvent, but it can still he voided should he be found to hsve concealed assets.

And to consolidste his downfall, Cruber told me that on seeing how well the Watergate gang did from their memoirs, the courts added a clause forcing Coldblum to forfeit to Orion any income he might make from writing about his extraordinary career at Equity Funding. A pity, really, since the process by which this remarkable ex-butcher taught the U.S. financial world that twn and two made five could he an education to us all.

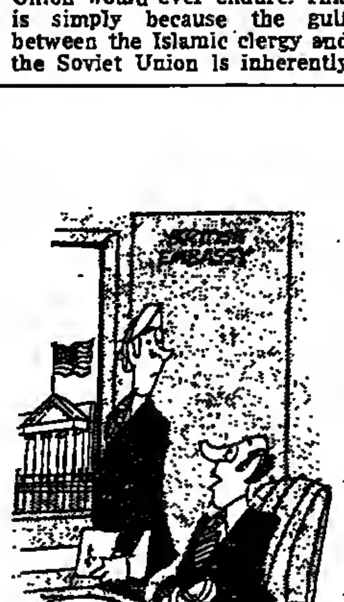
Among friends?

The rehabilitation of Richard M. Nixon continues apace. Several Government ministers, I hear, were among members of the Conservative Philosophy Group who gathered at his feet in the home of Jonathan Aitken last night.

Back in fashion

Robert de Keyser is not the most popular man at W. L. Pawson, the Leeds-based clothing group. Since September, when be ousted from a subsidiary board, he has tempted away a handsome slice of its management talent to help him launch his own rag trade empire. Pawson directors Michael Binns and Michael Bancroft, plus production brain Jack Martin, have thrown in their lot with him.

This old-boys' quartet, in company with son of former Cunard chairman, Sir Aubrey Brocklebank and de Keyser's hrother-in-law Michael Sinclair, is now busy making waves in the storm-tossed clothing industry. These stem from the acquisltion—for virtually a kiss and a promise—of two moribund companies: Rembrandt Designer Collections and Airfix Footwear.



"Mrs. T. wants you to get over there, see what Jimmy's doing and tell him he mustn't . . ."

Rembrandt came their way in February, courtesy of Toray Industries, when de Keyser and Brocklebank each paid £475 for 190,000 shares apiece. In March they bought Meccano's loss-making shoe interest "for a nominal sum." Now, my spies tell me, the self-styled "consortium" is interested in buying more companies in similar trouble. Not so, de Keyser says. He claims he has six figures in the Rembrandt account and is ready to buy going concerns.

Not a man to waste time, be made more than half the Rembrandt staff redundant within weeks of the takeover. The Airfix payroll is also being substantially reduced. "I employ very simple methods," he says. "No plush offices. Profit from cash flow. Expenditure kept to the minimum. I am having a notice in my office that says: 'Overheads walk in here on two legs'."

Not interested in drafting fancy designs that make the colour magazines and flop in the shops, he says he will stay with what sells best—middle of the road fashions—and plougb up profits from the fallow ground between Far Eastern cbeap imports and the posh end of tbe home industry.

In spite of bis good family connections in the UDS mall order trade, others in the industry are sceptical. Still, even though the fashion business is going through one nf the worst patches in its history, he still managed to collect some £100,000 in orders at recent shows. Some improvement on the £40,000 taken by Rembrandt last yesr. There seems a long way to go, however, before he can convert last year's £500,000 loss at Rembrandt and Airfix'a £200,000 deficit to a financial foundation strong enough to support his longer-term plans to stitch together comprehenaive clothing group fit to he floated on the Stock Exchange.

Coppers count

They are nothing if not meticulous down at the Police Complaints Board. The latest accounts show beneath the entry for the Home Office running costs grant a curious "other receipts" heading against which stands the total of £3. The board tells me this was payment from a former official for a private call on the office phone. The board plainly needs every penny it can get. Last year it dealt with more than 14,000 complaints against the police on a budget of £396,000—an average of £28 a time.

Picking a fight

"We tried to plan our holiday last night. We started off with a chnice of two places and by bedtime the wife had narrowed it down to six."

Observer

FINANCIAL TIMES SURVEY

Monday April 28 1980

Saudi Arabia

CONTENTS

THIS SURVEY attempts to answer the key questions about the Western world's biggest oil supplier.

The initial articles, on pages II to IV, assess the stability of Saudi Arabia, its foreign policy and its ability to defend itself. Pages VI to X analyse the economy, with emphasis on the forthcoming new five-year development plan, the way the Government spreads wealth among individual Saudis and how it invests its financial surplus abroad.

Individual sectors of the economy are studied in detail from pages XI to XIX, starting with the vast downstream petroleum industry projects.

Between pages XX and XXIII the survey examines the Saudi Arabia few visitors see—the provinces and the rural areas away from the three main urban centres.

The remaining five pages, XXIV to XXVIII, look at Saudi society and its development and the crucial role of Islam. On page XXVII appears the full story of last winter's Mecca siege which first raised doubts about the Kingdom's stability.

THE self-confidence of the Saudi Arabian Government has been shaken by last winter's seizure of the Grand Mosque of Mecca by Moslem fanatics. The Government is trying to remove causes of popular dissatisfaction, but its room for manoeuvre is limited.

Challenge to internal stability

The photograph of King Khaled, below, and the majority of pictures used in this survey are by Saudi International Media Systems, Riyadh. Photographers: J. Smallood and L. Pierce.

INTRODUCTION

JAMES BUXTON

NO ONE should underestimate the crucial importance of Saudi Arabia to the West, and the disastrous results that any erosion of its stability would have. Yet, that stability now faces greater internal and external challenges than for more than a decade.

This extraordinary country is by far the world's biggest oil exporter and, largely to oblige the Western countries, is still producing 9.5m barrels of oil a day—1m b/d above its theoretical ceiling and far in excess of its financial needs.

It is responsible for perbaps $60bn wortb of liquid or semi-liquid funda beld in the West bnt manages them in a way which is intensely conservative and, from the Western point of view, responsible. It is profoundly anti-Communist and can normally be relied on to provide funds on a large scale to back regimes sympathetic to the West, as in Turkey, Pakistan and, until recently, Egypt. And it consumes 4 per cent of the OECD countries' exports.

So, if a regime less sympathetic to the West took over in Saudi Arabia it would not only have appalling economic consequeoces, but it would very likely precipitate the collapse of the traditiooal regimes of the oil states of the Gulf and Oman, as well.

Anxiety about Saudi Arabia's stability developed after last November's seizure of the Grand Mosque at Mecca, the holiest site io Islam, by a band of mainly Saudi Moslem extremists. This action, which turned ioto a two-week seige, was both a demonstratioo of opposition to the Saudi regime and a coocerted attempt to overthrow it though one which relied oo divioe interveotioo to acbieve its aims and bring about the millennium. Divine intervention apparently lacking and the mosque not being the seat of government the attempt nltimately failed.

But it did indicate that the policy of large scale government spending combined with the preservation of religious orthodoxy was not being totally effective; that the intelligence services bad been remiss; and that the army and National Guard were poorly led, ill-co-ordinated and less than competent. And it focussed attention oo other underlying internal problems.

Shia riots

Riots by Saudi Arabia's significant Shia minority in the crucial oil-producing Eastern Province coincided with the siege. Not long after, came the Soviet invasion of Afghanistan, bringing Soviet forces dramatically closer to the Arabian peninsula and the Gulf, and reinforcing perennial fears in Saudi Arabia about Russian encirclemeot (Russians are entreoched in Sonth Yemen aod Ethiopia). The Arab world has been split, aod Saudi Arabia put in an excruciating position, by Egypt's peace treaty with Israel—vigorously promoted by the Kingdom's chief ally, tha U.S.

Uniquely, of all the countries in the world, Saudi Arabia is named after a family. The House of Saud is the common element uniting what are still the widely scattered settlements of a largely desert country, put under ooe Government by the father of the current ruling generation of Saudi princes, King Abdul-Aziz ibn Saud. Heterogenous groups bave been united by marriage to the Sands, wbo now number about 5,000.

King Khaled is not an antocrat in the sense that the Shah of Iran was, but rather the august chairman of a grouping of his 30-odd full and half brothers, of whom tha senior active members are Prince Fahd, the Crown Prince and, effectively, the chief executive, Prince Abdullah, commander of tbe National Guard, and Prince Sultan, Minister of Defence.

The family, bistorically allied with the leadera of the austere Wahhabi sect of Islam, rules in close association with the religions laaders or *ulema*, by whom all legislation is approved, but though the Koran is tbe constitution Saudi Arabia is not a theocracy.

This traditional structure has had to stand the strain of oil wealth nn the colossal scale caused by the 1973/74 and 1979 oil price rises. It has made Saudi Arabia a country of world importance and caused a staggering economic transformation, putting a fair number of Saudis among the world's billionaires.

The kingdom has achieved some striking successes in economic development, but there bas also been tremendous waste, which—according to one estimate—bas eaten up 60 per cent of every dollar spent in the past few years. And wealth bas caused profound, though bard to quantify, distortions io a simply puritan, poorly educated society.

Much of the uncertainty that now afflicts Saudl Arabia is the result of tha disorieotation caused by the social and physical metamorpbosis of the country in the past six years.

The Mecca outrage was one manifestation of this confusion. Its leader Juhaiman al-Otaibi bad been well known before the incident as a fanatical preacher against the increasing secularisation, and Westernisation of Saudi Arabia and the alleged godlessoess of the Royal Family, which be said at Mecca, was "beyond redemption." Despite the regime's intensive efforts to appease them the *ulema* had some discreet sympathy with the rebels.

Ranged against the religious traditionalists are the so-called technocrats, young, Western-edncated (though not necessarily Western in outlook) businessmen and administrators, wbo detest the craving for more restrictions of the religious leaders and believe that the Government already takes far too much notice of the *ulema*.

Bnt, significantly, they would agree witb tbe religious opposition in condemning inequality the cootinuing poverty of many Saudis aod the gross hypocrisy of many of the rich and famous.

Commissions

A lot of the criticism, both at Mecca and elsewbere, has been directed at the Royal family itself. Its financial pre-eminence bas never been challenged and the payment to many princes of commissions on contracts could jnst be regarded as a function of a system that is endemic throughout Saudl and Middle Eastern society. But tha size of the commissions has become so vast because of the enormous value of the major contracts, for which a potential contractor needs a princa's blessing, that the Royal family is in great danger of becoming a privileged class apart, publicly regarded as stealing from the country.

It bas become associated with waste, one example of whicb is seen to be the prodnction of oil at 9.5m b.d. and the selling of it at a discount on current market prices, a system now known to benefit at least one prince in the generation below the current leadership.

Many members of tha Royal family live morally upright, even ascetic lives, but others infuriate their fellow countrymen by barging the queue at the doctor's, bumping legitimate passengers off Saudia flights and even, as bas happened, diverting international flights in mid-air from scheduled destinations to wbere they alone want to go. What might be pardoned in an autocrat is not easily forgiven to a ruling class.

All this murmuring contribntes to a climate of discontent, despite most Saudis' constantly rising prosperity, hut it is a faeling that is diffuse and fragmented, for the mass media are strictly controlled and gatherings of people forbidden (except in mosques). The result is that fnr Sandis as for ontsiders hard information is replaced by rumour and the muddled interweaving of contradictory fact an dfiction, which is more dangerous than the truth.

The Saudi Government bas become worried and perplexed by the strains in what bad been considered a cohesive society and the threat to the Royal family's rule it implies. Following the Mecca and Eastern Province incidents, it has replaced bad or incompetent provincial governors and sacked top men in the armed forces.

The Royal Family's sensitivity to any impugnment of its integrity was shown by its angry reaction to the showing on British television of a film about the execution for edultery of a Saudi princess, which led to the Kingdom asking Britain to withdraw its ambassador.

Prince Fahd has firmly stated his intention to stamp out corruption and conspicuous consumption among the Royal family. Steps are being taken to aet np a nominated consultative assembly, an oft postponed idea, and give the country a written constitution. Everywhere in the kingdom one finds an emphasis nn trying t ointroduce a greater sense of moral rectitude as well as economic purpose. The new Five-Year Plan, to be announced next month, aims at reducing wasteful spending, and building no more white elephants but concentrating on better education and training and on creating a self-sustaining economy less dependent on Government subsidies.

Yet, the Government's room for manoeuvre is limited. It is torn between the desires of the religious traditionalists and those of progressive outlook, with the merchants, primarily interested in high Government spending, sandwiched in between. Since Mecca, the concessions have inevitably been towards the traditionalists with such steps as the banning of the import of dolls and dogfood and the vetting of videotapes—steps which exasperate the technocrats. The behaviour of a constantly growing Royal family is bard to control and co-ordinate—a senior Arab Minister has referred to the family as a bureancracy of its own—and senior princes evidently find it bard to curb the dangerons activities of their own sons.

Even the creation of a consultative assembly is a step full of pitfalls, an implicit admission that the traditional system of communication between ruler and ruled via the *majlis* or informal assembly no longer works properly, yet the new institution can hardly satisfy the articulate critics of the regime.

King Khaled bin Abdul-Aziz al Saud

The ruling circle of the Royal Family should represent a consensus of the different viewpoints — traditional and reformist—in the family and, it hopes, in the country as a whole.

Yet this consensus has its drawbacks. King Khaled is sick, but Crown Prince Fahd dees not bave his regal authority. This slowa down decision-making at times of crisis and allowed problems to drift—such as, until recently, the increasing undesirable rule of the ibn Jiluwi branch of the family in Eastern Province.

At times, decisions are made by whoever happens to be available at the time. Yet, all important paperwork has to go through Crown Prince Fahd, who is tremendously busy and in none too good health himself. Whether these problems will be resolved by the succession, under which it is agreed that Fahd would become King and Prince Abdullah Crown Prince—depends on which of the two most senior members of the regime dies first.

But, even in Saudi Arabia, the Royal family rules by consent of the people. There is no sign at all that the peopla are yet in any mood to withdraw that consent from the House of Saudi—and it is bard to see tha occasion that would make them do so. The inchoate sense of discontent could, bowever, be capitalised on by a well-organised and committed group.

Any group trying to seize power in Saudi Arabia would face formidable difficulties. Apart from the pervasiveness, if occasional inattentiveness of the security forces, the centres of population are scattered and it is unlikely that seizing power in Riyadh would automatically ensure the fall of Jeddah or al-Khobar.

The takeover by religions traditionalists in Iran was made possible by the actions of the Iranian mob, but there is no Saudi mob. The regular army, scattered in remote camps, is counter-balanced by the National Guard, which is in the centre of power.

The only force which could bridge the gaps batween the cities would be the air force, which would be essential to any *coup* attempt. But it is doubtful how many sorties it would be able to make without the acquiescence of the American and British technicians nn whom it beavily depends. It is far from probable that the removal of the current leaders of the House of Saud would cause collapse in the way the Ethiopian royal house collapsed in 1974 when its head was removed—there are too many Sauds with a greater claim to legitimacy and stronger regional links than those of Emperor Haile Selassie's family.

In fact, the replacement of one group of Sauds by another, in a palace *coup*, is nne of the more plausible possible events if the country's current malaise is not cured—even though it is difficult to identify any obvious "Young Turks" in the Royal family.

The House of Saud is now well aware of the dangers it faces and it has a powerful instinct for survival. How well it fares depends not just nn what action it takes, but on what support it wins from its chief ally, the U.S. The Kingdom faces internal criticism for over-producing oil to help the U.S., and for not opposing American policy on Palestine more vigorously. On both issues, the U.S. could be much more helpful to a crucial ally in "the arc of crisis."

هكذا من الأصل

Promises of reform follow upheaval

POLITICS

JAMES BUCHAN

EVEN HYPOCHONDRIACS sometimes bave real illnesses. The Saudi leadership, fearful for years of the threats from outside the realm, last wintar awoke to a domestic scene in tumult.

For a period after the attack on the Grand Mosque in Macca, even royal spokesmen admitted mistakes and promised a broadening of the base from which decisions affecting 5m Saudis are taken. With the Royal Family at bay, other voices chimed in. Rich commoners, importers or commission agents, said this sort of thing was bouod to happen since they were no longer consulted. The ulema called for greater rectitude in public life in absorb and deflect the castigations of a Jnbaiman. Reform-minded intellectuals, of Muslim temperament but Western appeal, spoka of excessive corruption and mad extravagance in the civil service and Royal Family.

Soon after the end of the siege, Crown Prince Fahd made his suggestions. The Koranic foundation of Saudi life would be defined in 200 new articles and a consultative assembly formed to advise the seat of power. What the assembly's legislative powers might be, if any, was not clear but the make-up of the committee discussing the new body showed it would probably consist of merchants and ulema.

Fahd's deadline for both Constitution and Majless Al-Shura, as it is known, passed some months ago and few believe that the projects are being pursued with any energy. Neithar are in any way revolutionary. The Majless Al-Shoura was formed of Hijazi notables in 1926 to absorb opposition to the new Saudi regime and to recognise the greater sophistication of the province imported by years of Turkish rule; the Alireza family, represented now by a single deputy minister, once sent a deputy to Istanbul.

The constitution was also promised in 1926 when a statute recognised the realm as an absolote monarchy limited only by tbe Sbaria (divine law). But since tbeo, Saudl Arabia bas not felt the need for a constitution as far as the rights of the subject and the form of the administration are concerned. It has relied on tha highly personal rule of a king, whose involvement even in the pettiest affairs of state so impressed early visitors to Saudi Arabia, aod the haphazard formulation of Royal Decrees io areas wbere the Sharia was silent.

Under the Sharia, all executive power was originally gathered in the hands of the king. Even so, and long before administration became as complex as it is today, the Saudi kings respected and acted on advice. Every day between the sunset and dinner prayer, Abdul Aziz met the ulema of Najd and would later sit with a highly informal council (which the Englisb explorer Harry St. John Philby often attended).

The informal royal and princely majlesses, and their wide range of activity, bave survived both tbe creation of the Conncil of Ministers, as the pre-eminent consultative and legislative body in the early 1950a, and the proliferation of new ministries since then. Saudis and some foreigners defended the parallel system on the grounds that it works; even today, old people and bedoin from tribes associated witb the Saodi rise to power will seek redress from a princely majless often before tha Government department concerned.

Highest level

At the heart of the Saudi system is tbe Royal Family, so vast it resembles a tribe rather than a family. It is concerned, except at the highest level, with its won interests as opposed to those of the merchant communities or the ulema. Tha concept of loyalty to the state is very rudimentary in the family and, inevitably in a country wbere decision-making is so limited, among tha few of the people. Not surprisingly, the family has been less than willing to cede power outside its own interests as opposed mnnities or tha ulema.

Althoogh Abdullah Sulaiman virtually managed the finances and defence of Saudi Arabia under Abdul Aziz, this was primarily becanse the King felt be needed technical assistance. A great measure of financial control bas since been gathered into tbe hands of Fahd.

Equally wbere technical ministries have been ceded to men from merchant or jurist background (some of exceptional ability and international repute), the influence of the commoners has tended to be limited to their own ministries and, even there, has been subject to royal pressures, particularly in contractiog. An exceptioo should be made for three men, Hisham Nazer, the planning minister, and the finance minister, Muhammad Aba Al-Khail, have built exceptional authority into their offices. Their supervision of other ministries led to the resignation of one royal minister last year. Ahmad Zaki Yamanl, the Oil Minister, is a man whose ability and flair for publicity have caused resentment but who would be sorely missed. Yet for the moment, the King appears unwilling to look beyond the extensive first generation of the family, let alone outside it, for new posts of importance.

Age remains the first basis of influence within the family. This is partly tradition and partly a reflection of the damage wrought in the pre-eminent status of the King by Saud's misrule and ejection in the early 1960s; at that ime, too, the family was nbliged to retreat into the pattern of borizontal succession, inevitable in all but the strongest Arabian regimes.

King Khaled is a conscientious and pious ruler, limited by sickness and shyness in handling a complex bost of business that did not exist in bis boyhood. His prime concern bas been to maintain a balance within the family, increasingly divided by yawning gaps in wealth and power and by fear of criticism.

While Khaled acts as both brake and a synthesis, policy is largely Fahd's responsibility. The proliferation of his power was the subject of complaint as early as 1974, when, in Faisal's old age, he was accused of chairing the Council of Ministers in Crown Prince Khaled's

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U.S. links dominate issues

FOREIGN POLICY

JAMES BUXTON

DIPLOMATS in Jeddah often complain that Saudi foreign policy is particularly elusive because normally not more than three or four people at the Foreign Ministry have any idea what the policy on any issue actually is. Yet, if Saudi policy-making is highly centralised, the kingdom is also extraordinarily active in foreign affairs, given its relative inexperience — there are few parts of the Eastern Hemisphere that have not at some time been the object of close attention by the kingdom.

But the country which inevitably merits the most attentioo is the United States with whom the kingdom has developed an inter-dependeoce wbich ofteo appears to take precedence over everything else.

In the belief that only the U.S. has the ability and the will to defend the kingdom from external attack, Saudi Arabia is prepared to produce considerably more oil than its economic neds dictate to help the world's most wasteful energy user; to allow the four U.S. Aramco partners an enormously advantageous and anachronistic positinn in the oil market by setting its oil price below other producers'; to invest a considerable part of its enormous financial surplus in the U.S.; and to allow the U.S. preponderance in the lucrative development of the Kinddom's own defence. The U.S. and its Wsetern allies are extraordinarily well-served by Saudi Arabia.

But Saudi Arabia knows (which the current U.S. administration in its remoteness from the Middle East ignores) that the kingdom's internal and external security depend, in the first instance, on stability in the Arab world itself.

The key destabilising factor is not Soviet expansionism—though this is bad enough—but the issue of Palestine wbich Saudi Arabia, as guardian of the holy places of Islam, bas to concern itself with.

Embargoes

While the Palestinians remain aggrieved, all Arab states face the danger of regional instability and subversion, not to meotion war, and for the oil states, tbe embarrassing question of embargoes on supplies to the West. And all Arab régimes are judged hoth internally and exteroally on the stand they take on the Palestine issue.

It was a failure of Saudl policy that President Sadat started bis peace intiative with the dramatic trip to Jeruaalem in November, 1977, io face of Saudi disapproval — the kingdom bad given Egypt no less than $7bn in non-military aid alone since 1973, yet lacked the mllltary and moral clout to stop hlm.

When President Jimmy Carter became more involved with tbe peace initiative, first with Camp David in September, 1978, then with the treaty itself ln March, 1979, he consistently underestimated Saudi Arabia's opposietion, which was based both oo intense emotional dislike of a treaty which seemed to do nothing on the crucial Saudi demands of the creation of a Palestinian state and the return of East Jerusalem to Arab bands, as well as on bard-headed assessments of self-interest.

The treaty semed to strengthen the hands of the radical Arab states aod of the more extreme Palestinian groups which Saudl Arabia has always feared. And it forced the Kingdom to decide whether or not to break relations with Egypt and impose sanctions on it.

In the end, despite some divisions within the Royal Family, some of whose members were fearful of tbe effects an Arab hoycott would have on the stability of Mr. Sadat's conservative regime and of the wrath of the U.S., the Kingdom joined the boycott of Egypt agreed at the Baghdad summit in March 1979, broke relations with Egypt, stopped financing Egyptian milltary projects, pulled out of the Arab Organisation for Iodustrialisation (the fledgling Egypt-based Arab arms industry) and stopped balance of payments support.

So far, though, the Kingdom has stopped short of severing all links with Egypt, despite tbe foul insults President Sadat bas burled at it: it bas not stopped flights to Egypt, or expelled the 250,000 Egyptiaos working in the country, or stopped them remitting money, or withdrawn the $1bn odd it bas on deposit ln Egypt, or stopped private investmeot aod property ownersbip by Saudis.

Yet the partial imposition of the boycott can only be sustained if the talks between Egypt and Israel on Palestinian autonomy make some degree of progress and the May 26 deadline is looming. Then, or shortly after, Saudi Arabia bas to weigh up its position in the Arab world against the possible endangering of its relationship with the U.S.

The weakness of the Saudi position is compounded by the absence of a viable alternative to the U.S. Western European countries do not have the military capability or the willpower to defend the Kingdoo on their own or in co-operation with each other, nor the financial ability to absorb all the Kingdom's investible surplus. And they do not have the diplomatic power to promote a Middle East settlement on their own, though Saudi Arabia is encouraging their moves towards recognising the PLO.

The Soviet Union and the East Bloc are beyond the pale. The House of Saud does not helieve in detente nor see the Communist bloc in the uncertain shades of grey still so common in the West: the Soviet Union and Communism are utterly inimical to the Kingdom, whlcb also refuses to recognise China. Partly in order to worry the U.S. the Kingdom bas in the past year binted that it did not totally rule out some form of ties with the Sovlet Unlon, but the Government strongly denles that the ldea is now under consideration.

Mr. Abdullah Alireza, Deputy Foreign Minister, says: "If Sovlet intentions towards us are peaceable, then there ls nothlng to worry about so we wouldn't need relations. If not, then having relations won't make any difference."

These are reasons which have, of course, only been fortified by the Soviet invasion of Afgbanistao, which has brought the Soviet Union much nearer the entrance to tbe Gulf.

Pincer movement

Saudi Arabia sees its fears of being at the centre of a Soviet pincer movemeot confirmed: in tbe past three years the Soviet Uoion has built up s strong position in Ethiopia, just across the Red Sea; greatly strengthened its base in Aden in South Yemen, in the Arabian peoinsula itself; and within the past few months become rather more involved in North Yemen, which the Saudis like to regard as their protegee, through an enormous arms deal.

The Saudis blame the U.S., in varying degrees, for all these developments, thougb it was Saudi beavy-hardedness as well as American tardiness that made North Yemen so disspleased with last year's U.S.-Saudi trilateral arms package that it turned to the Soviet Unioo for a mucb larger quantity of arms delivered mucb more quickly.

The Saudis also note grimly tbat the U.S. did not burn a finger to belp tbe Shah and prevent the Iranian revolution, whatever the difficulties it faced.

So, the Saudis are deligbted that the U.S. is now, as they see it, taking its global responsibilities seriously and assessing bow it can move forces joto the area qulckly in the event of an unspecified emergency.

In puhlic, the Saudi Government has insisted that it does not want American troops in the Gulf, or in the Kingdom ltself, and that the natlons of the region, including Saudl Arabla, are perfectly capable of defending themselves. Io view of the Kingdom's exposed position on the Camp David issue it would he dangerous to talk otherwise.

But ln fact the Kingdom ls prepared for the P.S. to have the milltary facilities it ls negotiating in Oman, Somalia and Kenya, whlch wlll involve a small number of U.S. personnel, and the prepositloning of some stores and equipment to receive a U.S. rapid deployment force hy air and sea: Saudi Arahia may help finance the arms deals with those countries that will match the arrangements for the U.S. military.

As for the U.S. using military facilties in the kingdom, the stationing of troops is totally ruled out; as ls the prepositionign of stores since, as the Saudis wryly point out, the U.S. won't allow the Saudi forces to stockpile nearly as muc bammunltions as they want, for fear of upsetting Israel.

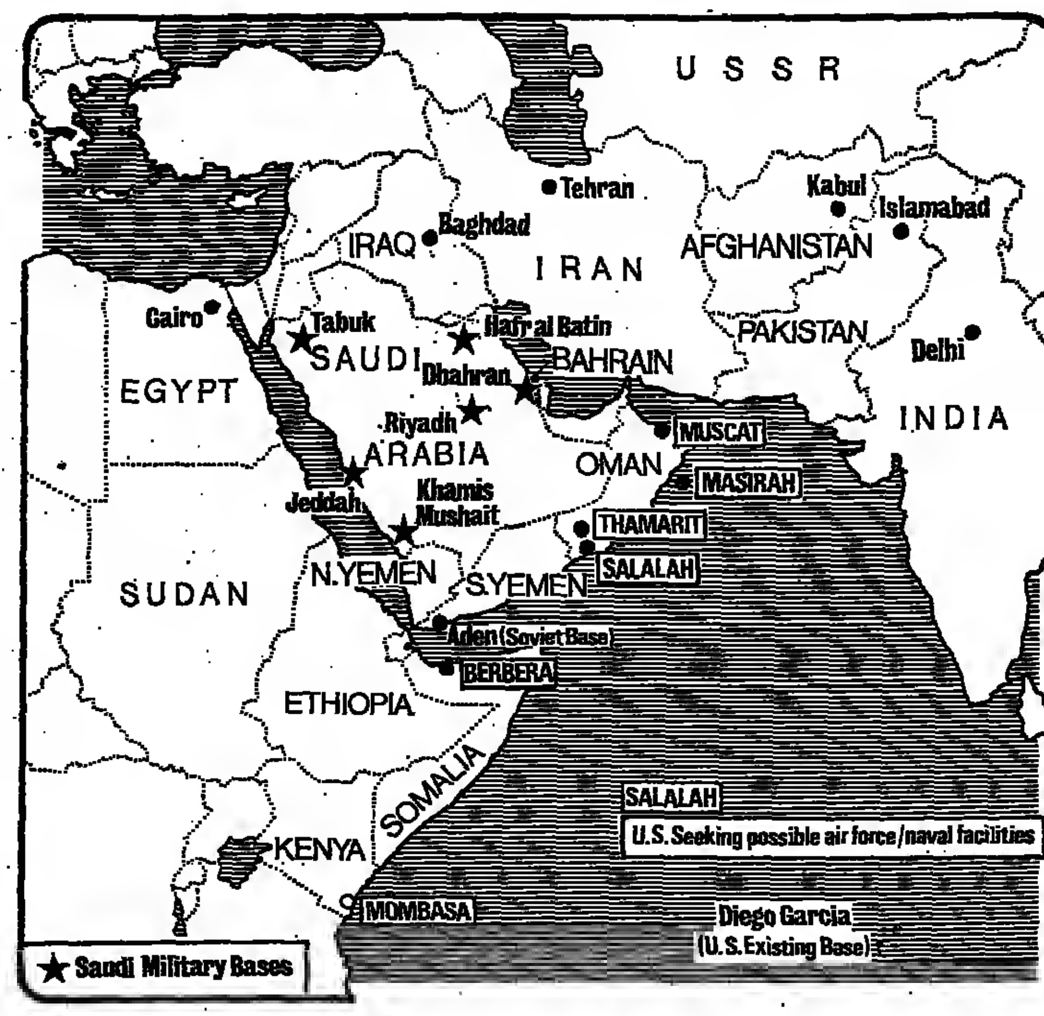
But with about 10,000 American military and civilian personnel involved ln the Saudl defence forces, and stationed at virtually all bases, lt would he extremely easy for U.S. aircraft and shlps to use the kingdom's facillties—as a pair of AWACS reconnaissance sircraft did for 90 days last year after tbe North Yemen crisis.

The developing tensions of the past year and a half bave led the kingdom to take its external security yet more seriosuly: it bas concluded a significant security agreement with Iraq, with wbom lt appears to he at odds on ideologlcal grounds, as well as co-ordinating interoal security arrangements with the Gulf states.

It has heen prepared to pour yet more money into Pakistan in tbe wake of the Afghanistan invasion, while lt directly helps NATO and the OECD countries hy lts assistance to Turkey. It played a leading role in persuading the Islamlc conference in Islamabad, in January, to condemn the Russlan lnvasion of Afgbanistan and was the first country to refuse to send a team to Moscow for the Olympics.

Yet, despite the independent initiatives of Saudl forelgn policy the events of the past year or so bave increased Saudi dependence on the U.S. and thus accentuated the kingdom's approachlng dilemma on the Palestine question.

Saudi Arabia's refusal to deal with the Soviet Union is going to come under greater pressure as Russia becomes more deeply involved in regional affairs through its presence in Afghanistan and as lt begins ln the course of the decade to seek to buy oil ln the Gulf, as its own supplles fall short of demand, Saudi Arabia's dependence on the U.S. has put it in a dangerously exposed position.



BASIC STATISTICS

Area	865,000 sq. miles	Imports (1978)	SR 81.8bn
Population	7.87m	UK trade (1979):	
GNP	SR 165.3bn	Imported from UK	£893.6bn
Per capita	SR 23,555	Exported to UK	£1,108bn
Exports (1978)	SR 139.5bn	Currency, Saudi riyal;	£1=SR 7.40

Reforms

CONTINUED FROM PREVIOUS PAGE

place. More recently the bankruptcy of the Crown Prince's attempts to pursue an independent Saudi line over Camp David last spring almost precipitated a crisis of confidence in Fahd, badly overworked as he was.

Yet to the surprise of no-one, his absence merely produced confusion and he re-establisbed his authority over foreign policy and disbursement without difficulty. There can be no doubt over his succession, only about the limitations the family will place on the growth of bis power. At the very least, it appears that he must accept Prince Abdullah, the conservative commander of the National Guard, or bis nominee as crown prince in place of Prince Sultan, the defence minister, with whom his relationship is marginally better.

formal system works, it must he remembered, first that tradition and sentiment militate against the youog, the Sbiites, the regions outside tbe Saudi beartlands, foreigners and women; snd second, that the issue is not the absence of any elected hody to represent opinion. After all, the Government makes few demands on tbe population, there are no taxes to speak of, people are free to do buslness almost without regulation: schemes tbat might create popular demand for representation (like military conscription of a formal kind) are opposed for exactly that reason. Without fiscal control, the Majless Al-Shoura will for ever be a cipher.

The door of criticism opened by Jubaiman, has yet to be closed and by virtue of his Americanism and bis financial power, Fahd ls particularly vulnerable.

In assessing bow this ln-

The burden of political demand is for greater consultation and, to a mnch lesser extent, greater rectitude. Embarrassed by the Mecca fiasco, the Royal Family may need to give up a portion of its power lf only to forestall a polarity of rulers and ruled. It will not do so willlngly.

Crown Prince Fahd bin Abdul-Aziz al Saud, effectively the country's chief executive

Areas of military weakness revealed

IN THE PAST 15 months, tha Saudi Arabian armed forces have sbown to be as weak and feebly-led as most informed people—excluding sycophantic arms salesmen, the New Left and, in its more foolish moments, the Israeli general staff—knew them to be.

First, in February, 1979, the Kingdom dared not make the slightest gesture of military support from its own resources for its ally North Yemen when a small. but dangerous, border war with South Yemen flared up. It was obviously out of the question to send in large-scale military reinforcements, but a flypast of Saudi F5s and Lightnings over Sanaa, the North Yemeni capital, would have stiffened morale there and alarmed tha South. As it was, the Saudi forces, though placed on the alert, did nothing, and Riyadh called instead on the U.S. to bolster North Yemen with arms and to reassure faint hearts in the Kingdom itself, at the same time.

Secondly, the Saudi National Guard and the army are generally considared to have badly misbandled at least the initial stages of the siege of the Grand Mosque in Mecca in November and Decemher. Soon afterwards a new chief of staff, a new army commander and a new air force commander were appointed.

Tb earmed forces of several other Arab countries would not necessarily have acted any differently in either case, and considering the low quality manpower base and the sophisticated equipment they bave to learn to bandle the Saudi forces may be up to par. But the question ought to be asked, both by tbe western countries which supply Saudi Arabia with arms and depend on its oil supplies, and by Saudi citizens, wbo see a tihrd of the national budget going on defence and security, whetber the Saudi forces are developing in the best way to become an effective deterrent and defence force against the Kingdom's enemies.

Vast spaces

No one seriously expects that regular forces of only about 44,500 men, supplemented by a further 26,500 paramilitary forces, including tha National Guard, would be capable of defending the vast wastes of the Kingdom and its principal oilfields against a large, well-equipped invading force, let alone launch any serlous affensive.

This means that in combat it would be extremely unlikely that the Saudi forces could withstand an Israeli attack in tbe north-west, an Iraqi attack in the north-east, or an attack by the combioed strength of tbe two Yemens in the south-west. (The Saudis migbt be able to match the forces of one Yemen on its own.)

But these are highly theoretical contingencies, and any invader would be strongly deterred by the enormous expanses of sun-blasted sand separating the Kingdom's major centres of population and power from each other and from the border. And if there were an invasion from any country but Israel Sandi Arabia could reasonably expect help from its chief ally, the U.S.

Far more likely threats are the possibilities of air attacks on Saudi cities; border skirmishes of the kind that flare up occasionally on the Kingdom's border with South Yemen and, more recently, North Yemen; and terrorist attacks in the border zones—to raid oases and murder sheikhs, for example—and to sabotage the oilfields.

DEFENCE

JAMES BUXTON

The Kingdom's cbief defence requirements would therefore seem to be: a strong and effective air defence system, consisting of both aircraft and missiles; a well-co-ordinated, highly mobile army capable of being air lifted to trouble spots for tough fighting demanding high initiative; a force well-trained in counter-insurgency techniques; and a useful coastal navy to guard the long Gulf and Red Sea shores.

How well do the Saudi armed forces match up to these requirements?

First, it should be remembered that the forces are divided betwen the regular army, navy and air force and the National Guard. The first three are under Prince Sultan's Ministry of Defence, the last under the totally separate command of Prince Abdullah. The National Guard is designed as an internal defence force responsible for guarding cities and the oilfields and is deliberately intended to be a counter-weight to the regular forces, a defence for the Royal Family and a means of making use of the loyalty of many of the tribes.

Divided into two parts—regular and territorial, the latter to be called np in emergency—it is more lightly and simply equipped than the army. Recently, though, the American Viooell corporation finished training four mechanical battalions using Commando armoured cars, while the British army maintains a mission of technical specialists who advise at beadquarters, plus an engineer team. It is bard to assess whether the National Guard amounts to an effective counter-insurgency force.

The regular army, which numbers 35,000, has no specific counter-insurgency units, (unless one counts the parachnte battalion). But it has an astonishing quantity of equipment in hand or on order considering its relatively small numbers. It has plenty of armoured cars and other vehicles wbich give it flexibility, bnt an enormous amount of the army's strength and manpower is concentrated in two heavy armoured units, one equipped with French AMX-30 tanks and the other in the process of acquiring American M-60 tanks, each with its own distinct snpport group, one French, the other American.

Given tha enormous logistics needed to sustain a large tank force over the distances which fighting in Arabia involves, it is difficult to sea what the tank forces would ever be sble to do, and they see mto represent a major diversion of manpower away from infantry fighting to prestigious but complex and expensive mechanisation.

The air force is probably the most professional branch of the forces and has a solid basis in the training and support role performed by the British Aerospace Corporation (BAe), whicb runs both the King Faisal Air Academy, training pilots, and the Technical Service Institute training ground staff.

Tha company also provides armament support, construction supervision, medical services and so on, and services the 18 Lightnings which are the Kingdom's interceptor force and the two BAE Strikemaster squadrons whicb are classed as counter-insurgency / training units. Trainees of BAe then go on to fly the 65 Northrop F5E figbter bombers, the 36 Lockheed C130 transports as well as other units which are in the hands of training teams from the respective American aerospace companies.

The ir force will shortly be disrupted as some of the best pilots and technicians go to the U.S. to train on the highly sophisticated F15 fighters, which will probably eventually replace the Lightnings as interceptors.

A major weakness of the air force is that despite the core provided by BAe it is still to a large exteot a collection of units built around different aerospace companies and bas no solld administrative base or corps of ground officers who form the backbone of other air forces.

The navy is the smallest of the regular services with only about 1,500 men. Together with the coastguard they operate a number of fast patrol boats and hovercraft an dlately acquired four coastal minesweepers, which could ba useful for sweeping the Strait of Hormuz at the entrance to the Gulf.

The navy is being further expanded: both its procurement programme and the supervision of the building of bases both on the Red Sea and tha Gulf is in the hands of American concerns.

As well as polarised according to manufacturer with each arm (except the navy), the regular forces are poorly co-ordinated with each othar, even excluding the National Guard.

Co-operation between the army and the air force is still in its infancy, despite the large transport fleet, and air defence is split between tha missile batteries operated by the army and covering the oilfields, Riyadh and the Mecca-Medina-Jeddah triangle, and the Lightnings operated by the air force.

The entire defence establishment, including the National Guard and the intelligence organisations under Prince Naif, Minister of the Interior, are never see as a whole.

These problems were obvious at Mecca where the overall commander, Prince Turki bin Faisal, the head of the Directorate General of Intelligence, was unable to co-ordinate the Ministry of Defence forces (primarily the army) and those of the Ministry of Interior under Prince Naif. Most of the Gnvernment deaths were caused by a foolish attempt to land a helicopter under beavy fire, in broad daylight in the centre of the mosque.

Problems also arose in the National Guard wbere officers from the modernised battalions were put in charge of men from the unmodernised units. These refused to obey orders from anyone but tribal officers, and some men deserted.

The basic reason for the way the forces are developing is that the Royal Family is well aware that Third World regimes are usually overthrown by the armed forces, rather than anyone else. It wants to bave reasonably big forces, for reasons which include tha need for a national virility symbol, and to be able to fulfil some obligations to other Arab states (Saudi Arabia sent 700 men to the Arab peace keeping force in Lebanon).

The Kingdom wants to defend itself against external attack. But the need to defend the Royal Family comes first aod it is not considered in the Royal Family's interests that the forces be too efficient, too well coordinated or too used to showing initiative.

Bedouin horsemen of the National Guard, whose main task is to protect the Royal Family. Other units of the National Guard use armoured cars

So, itis not necessarily against the Royal Family's interests that the forces should be run with a careful eye on the commercial possibilities open to those wh orun the defence establishment with such colossal defence spending (defence and security took np a third of last year's official SR 160bn budget and several defence items are known to be exclnded from the budget—the Kingdom is the seventh biggest defence in the world and the country which spends the most on defence per head of population).

Tha bulk of tha spending is on physical infrastructure, ranging from mbilitary bases to equestrian clubs, rather than on weapons purchases, but on the procurement side it makes commercial though not always military sense to play one supplier off against another. It is also a big Saudi contribution to recycling its oil wealth.

The diversification of sources and the general emphasis on equipment at the expense of training in actual fighting and on mecbanisation at the expense of walking must retard the development of the forces as effective fighting units. Sandis are said to be good; in many cases, at operating their equipment; but they are much less good at maintaining or repairing it: that will depend for many years on foreign technicians—there are 10,000 Americans attached to the U.S. military mission alone, and BAe has 2,000. T heir role in war to internal upheaval is uncertain.

The military is anyway hampered by tha national manpower shortage, though successive pay rises have lately done mnch for recruitment (the number of tha people at the air force's Technical Service Institute has more than doubled in the past year). Discipline, in both the army and the National Guard, is often law—soldiers had recently to be forbidden to drive taxis, which they used to do in working hours, while officers ean often be seen supervising the building of their villas.

Conscription is desired by Prince Sultan, though this would initially weaken the forces by drawing manpower into training roles. He and other princes see it as a way of inculcating some national spirit and rigour into Saudi life rather than purely as a means of strengthening the armed forces.

From tha Royal Family's point of view it is not certain whether keeping the armed forces divided and busy "absorbing" their equipment stops them acquiring the "modern" ideas which are the first step to politicisation. Technical training of any kind inspires people to think broadly and often critically.

New ideas

The air force was the source of coup plots in 1969 and 1977 (the later a very feeble affair).

In the army there are said to be conficts between young officers wbo come back from tha U.S. bristling with new ideas but frustrated to find their commanders are of a more traditional hue. There are signs that more officers resent being members of what is in many respects a commercial organisation.

How well do the Saudi defence forcea maet the objective criteria set out above? The air defence system and the navy are in the process of development bnt could theoretically meet the kingdom's needs; but the kingdom does not possess ground forces of the balibre it should have or trained to meet the kind of attack that is most probable.

It may be argued that the general level of attack of competence of most armies in the Third World is far less than it appears on paper and that most countries are not really threatened.

Unfortunately, that is not the case with Saudi Arabia, at least three of whose neighbours—Israel, South Yemen and Ethiopia—are military powers which take combat training seriously and could stage just the kind of border raid that Saudi Arabia appears so ill-prepared for.

In the event of a bigger conflict, Sandi Arabia could reasonably expect the U.S. to step in. Sandi Arabia does not want any public agreement on the U.S. having military facilities in the Kingdom and prefers to leave that to countries like Oman and Somalia, with which it seems prepared to finance trilateral deals; but unlike those two countries it already has large nnmbers of American equipment and personnel at virtually all its military bases. It would be far easier for the U.S. to use Saudi facilities in a time of emergencq, than it would those of other states in the region—and this is tacitly acknowledged by both sides.

Policies are undergoing intensive review

THE POLICY of all the OPEC aid-giving states is now under intense scrutiny. In the wake of the doubling of the oil price, in 1979, there is mounting pressure —both from the developing and the industrial countries for OPEC — to compensate Third World states for the damage their balance of payments are suffering.

This comes on top of tha mounting anger of the African countries at the only partial fulfilment of the four Arab states' pledge of $1.449bn in aid over the five years to 1982 given at Cairo, in 1977. And the Brandt Commission hads made its own contribution to tbe debate, while virtually ignoring the fsct that the OPEC countries are already substantial aid donors.

Ssudi Arabia, as the biggest aid donor in OPEC, and one of the four biggest aid donors in the world, is not taking a very prominent patr in the debate—its decision-makers' attention is focused on the more explosive foreign policy issues of Afghsnistan, Iran, the Yemens and Palestine.

Rather, the muddled and obscurantist Saudi aid-giving machine is more interested in trying to sort out its own inefficiencies and contradictions than in confronting global policy issues. For the past two years, the Saudi aid-giving operation has been under intensive internal review.

Early estimates

Preliminary estimates from OECD indicate that the Kingdwom's disbnrsed aid rose in 1979 to $1:9bn, compared with $1.5bn in 1978. There was an increase in bilateral and multilateral aid and an important reason for it was the increase in contributions to the Arab frontline states—Syria and Jordan—and the Palestinians agreed at the Baghdad summit of November 1978. The 1979 figure is still less than tha record $2.4bn of 1977.

The bulk of Saudi aid is in effect programme aid — direct budgetary or balance of payment ssupport as opposed to aid tied to specific projects (project aid). The kingdom is supposed to grant $1bn a year to the confrontation states and the Palestinians under the Baghdad agreement, in which previous commitments under the Rabat and Khartoum summits were subsumed, and from which contributions to Egypt were subtracted.

Under this beading also comes annual budgetary assistance for North Yemen, for which the sum of SR 345m was agree din June, last year. (In fsct, the flow of this aid was cut off later in the year as a sign of displeasure with North Yemen for concluding an arms deal with the Soviet Union). Under this heading would also come such things as contributions to Afghan rebels and presents to visiting beads of state.

Saudi Arabia is also a big contributor to multilateral Arabm, OPEC, Islamic and UN aid funds. The bulk of the kingdom's multilateral capital contributions were made in 1974 and 1975 as a spate of new or enlarged financial institutions were capitalised. But this year, for example, the kingdom agreed to donate $55m to the UN's World Food Programme for the years 1980 and 1981. The kingdom will be the largest donor to the programme. Both programme and multilateral aid is disbursed by the Foreign Ministry on the instructions of tha council of ministers.

FOREIGN AID

JAMES BUXTON

The Saudi Fund for Development (SFD) disburses most of the kingdom's project aid and administers those project aid items which are technically funded by the Ministry of Finance. The SFD's operations have becoma somewbat obscure, since it has not issued a report covering the period since June 1978. Up to that time the SFD had committed some SR 10.3bn.

Since then, the flow of announcements from the SFD's beadquarters in Riyadh shows that commitments have continued steadily, including a colossal SR 840m loan to Turkey for a number of development projects.

What is not clear is the current level that commitments bave reached, nor the rather more crucial disbursement level, which directly affects recipient countries' current account balance of payments.

Sheikh Mohammed Aba al-Khail, the Saudi Minister of Finance, told the Financial Times in March that a further SR 2bn had been allocated to the capital of the SFD, which would bring it up to SR 12bn.

Repeated requests for information at the SFD produced only the fact that disbursements in 1978-79 were 43 per cent bigher than the figure for 1977-78; the actual figure for 1977-78 was not released. It is known, however, that by early 1978 tha SFD bad disbursed about SR 1bn.

The SFD said it was not more forthcoming with information because only Sandi nationals are allowed to compile the fund's overall accounts — and given the national manpower shortage the fund cannot find any Sandi nationals to do the work.

Despite the substantial amount of money it commits, and presumably disburses, staff admit and outsiders wbo deal with it confirm that the fund is in some disarray—short of staff from the doorman upwards, and barely able to keep pace with its workload.

Contractors depending on funds authorised by the SFD complain of interminable bureaucracy: "It takes about six months and two *trips* to Riyadh to get an allocation for a new pencil sharpener," one embittered contractor recently complained. As in many Saudi institutions, the senior Saudi staff are decisive and industrious, but their underlings, both Saudi and non-Saudi, often are not.

A strong and effective SFD could become the leading institution in a restructured and reoriented Saudi aid programme. It is generally acknowledged within the kingdom, especially in the Foreign Ministry which appreciates that aid is one of the kingdom's cbief foreign policy weapons, that the whole programme should be mada not just more efficient bnt more cost-effective. Tha kingdom has no clear strategy for what it wants to achieve with its aid programme nor bow it can most economically achieve its aims.

What, for example, should the kingdom's attitude be to programma aid for developing countries in dire economic straits, as opposed to the Arab confrontation states who receive it for political reasons?

Deficits

Sheikh Aba al-Khail accepts that balance of payments deficits are the worst problem developing countries face as a result of last year's oil price rises and the price rises of 1973-1974. In the case of Sndan, which now faces a foreign exchange resource gap of about $800m a year, shortage of foreign exchange prevents the country buying oil and other imports, and so gravely hampers an ambitious development programme which Saudi Arabia is partially financing itself with project aid.

Last year, Sudan signed a three-year agreement with the IMF on an economic reform programme under which it will receive about $260m over three years. Saudi Arabia had been the biggest contributor to the Witteveen facility, which was a source of part of the funds to which the IMF provided Sudan. But the object of the IMF agreement was to give Sudan the seal of approval so that other sympathetic states would make programme aid grants.

made a loan of $300m to Sudan.
The kingdom, subsequently
But two-thirds of it is earmarked for projects, inclnding a new port and airport, which are arguably of only medium priority and which, if implemented, would mean Sudan breaking its agreement with tha IMF not to commence new projects, but to concentrate on finishing or rehabiltating old ones.

But Saudi Arabia's project aid is easier to control and easier to understand than programme aid; the crying need of developing countries, however, is for fast disbursing funds and these Saudi Arabia is reluctant to supply.

Now the kingdom'a reassessment of its aid policy bas been overtaken before reaching any firm conclusions by the plethora of proopsals from different quarters for a far bigger transfer of resources from the OPEC states to developing countries. The proposals include those of Venezuela and Algeria for a new OPEC aid agency with a capital of $20bn to give payments support to poorer countries; there are the proposals of tha Group of 77 developing countries made at last year's Manila conference; there are proposals for expanding tha IMF and the World Bank; there are the proposals of UNIDO; and there is the Brandt Commission, call for the OPEC countries, as well as the industrial states to transfer their resources to the third world.

The kingdom is certainly prepared to consider all these ideas, though Sheikh Aba al-Khail says be wishes they could be filtered so that tha kingdom would have only to consider one composite proposal.

Bnt the kingdom generally resents the implication that the poor countries' balance of payments problems are entirely the responsibility of OPEC, particularly as it fought hard but largely unsuccessfully last year to prevent oil prices rising too fast. It resents the implication that it is a grudging and stingy aid donor.

Yet in a reference to the fact that the bulk of OPEC (and Saudi) aid goes to a few near-neighbours of the Arab oil states, Mr. Abdullah Alireza, the Deputy Foreign Minister, told the Financial Times: "I can't enter an argument with you about some countries getting more aid than others."

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Kingdom's fortunes are soaring

SAUDI ARABIA Is back in tha kind of financial position it last enjoyed in about 1976: its revenue is comfortably exceeding its spending, and surplus revenues are once more being accumulated abroad on a large scale. The kingdom's financial fortunes have been transformed over the past year by the progressive doubling of the oil price and the Kingdom's increased levels of oil production.

Each month, Saudi Arabia sbould he earning about SR 23bn ($7bn) from oil flowing at 9.5m barrels per dey, and spend about SR 16.5bn ($5bn). This should leave a net monthly aurplus in the region of SR 6.5hn ($1.95hn) to be invested abroad.

Yet, as in the years following the 1973/74 quadrupling of the oil price, Government spending is showing signs of rising to meet income — following the dictates of wbat Professor C. Northcote Parkinaon called Mrs. Parkinson's Law.

Some SR 160hn was originally hudgeted for the current financial year, whicb ends in mid-May. But Sbeikh Mohammed Aha al Khail, the Minister of Flnance, recently told the Financial Times that as a result of aupplementary allocations official spending would he in the region of SR 200hn.

For the 1979/80 financial year, total revenue, including non-oil revenue, is likely to be ahout SR 220bn. The full annual henefits to the surplus of the 1979 price rises will emerge in the next financial year, while for the current calandar year SAMA estimates tbat the surplus will grow by at least $20bn. Investment income is destined to become an important factor in Saudi finances.

But it is hard so far to detect many signs thet the economy is enjoying the upturn one would expect from a government spending 36 per cent more than the SR 147bn actually spent in the previous financial year—making this years increase the biggest for five years. Nor is it at all clear what the additional funds have been allocated to. As in other' low population oil states government spending is the main determinant of the level of economic activity.

So far, in fact, the Ministry of Finance has been displaying all the rstraining instincts that it developed over the past three years in bolding back spending. It has delayed by as much as six months approving payments to contractors for work done and accepted—even in tha case of highly reputable companies.

The result was that, at least until recently, contractors were having to borrow Saudi Riyals from the commercial banks in a very tight market (a market made tighteer by the outflow of private funds attracted by high dollar interest rates) and local inter-bank rates were in the region of 17-18 per cent for ona month money in early March.

THE ECONOMY

JAMES BUXTON

This higbly conservative approach to spending followed the Government's growing alarm in 1978 and 1979 at the exorbitant rate at whicb it seemed to he consuming its revenue. Spending, in hoth 1976-77 and 1977-78, was far in excess of budget, and the Exchequer was only saved by revenue also exceeding predictions.

In 1978-79, however, despite painful efforts to hold back spending by the usual crude method of not paying creditors, compounded by customary hureaucratic inefficiency, the government recorded a deficit of SR 14hn after spending some SR 147bn.

Yet the extent to whicb the government was spending and overspending its revenue barely sank in, either at home or abroad, tben or later. Saudi businessmen talked angrily at the time of hillions of riyals heing salted away wben they conld have been spent while idealists were saying that Government spending could be financed out of an oil production rate of 5m h.d. (This would only have been possible bad the oil price douhled as a result of the cuthack.)

The running down of the Kingdom's foreign exchange reserves was rather more striking than the hudget figures indicate because many hig expenditure items are not in the hudget in the first place while Saudis shipping out tbeir money may bave accounted for $3bn to $5bn last year. Off-hudget Items include the gas gathering project in Eastern Province, some substantial defence programmes, some land compensation payments, disbursements by the SIDF and REDF, and direct payments to the royal family. As Saudi Arabia's overall reserves started to decline from their peak of $60bn (at the end of 1977) gloomy voices in the Saudi Arahian Monetary Agency (SAMA) pointed ont in early 1979 that, at current rates of spending, reserves would be down ta half that level by mid-1980, and it was gradually realised that since 1976 the Government had made commitments for physical infrastructure that outstripped its current income.

Of course, the oil price rises of 1979, which took the price of Saudi crude up from $13.3 per harrel to $26, came to the reacue of the reserves. But until well past the middle of last year it was not clear to the Saudi authorities whether the oil price rise was a temporary phenomenon or not and it continued to restrain spending. Though the Kingdom officially regards the surplus as a reserve fund of money waiting to he invested at bome, rather than the hasis of a future existence as a rentier, actually drawing on reserves toucbes nerves of parsimony in the Saudi official soul—as well it might, when at least one report the Government has commissioned told it that 60 cents in every dollar apent was going into excessively expensive or duplicated facilities.

Port congestion

The fact is that since the bottlenecks of port congestion and shortages were hroken Saudi Arabia has developed a tremendous capacity to spend and to absorb revenoe, and the virtually institutionalised system of large commission payments on contracts mean that many people, from the Royal Family downwards, have a vested interest in the government spending as much money as possible.

The term "absorptive capacity" is still used in connection with the economy by Saudi officials and luminaries, but its meaning has changed: it used to mean that spending was limited by wbat projects bureaucrats could dream up and authorise; now it is taken to mean wbat the country can afford to spend without causing nndue strain in the form of congestion and inflation.

But in the debate that has been raging for the past year or so over future spending patterns critics of wasteful spending have adopted the definition put forward by Mr. Abdul-Aziz Dukheil, formerly Assistant Deputy Minister of Finance, that absorptive capacity means spending money on what is economically viable.

"There is no limit to irrational spending," he says.

Because of the scale of the economy construction work is still going at a furious pace, even on infrastructure and bousing, and unlike cities like Abu Dbabi or Muscat both Riyadh and Jeddah still have a distinctly unfinisbed look, while developers clearly envisage each city stretching many more miles out into the surrounding deserts.

Yet, for the visitor, the most striking thing about Saudi Arabia today is how reletively efficient things are: hotels are generally well run, food is good and the telephone works. The days of appalling congestion and misery are over.

But the more thoughtful Saudis regard the economy'a current liquidity as being far from a hlessing — a "disaster" is wbat Mr. Abdul-Aziz Dukheil calls it. He argues that coming after a time when Sandis were beginning to face up to the need for fiscal restraint it can only stimulate consumption of a kind which even Saudis regard as wasteful and foster a psychology that makes Saudis think tbey don't need to work.

He, and many like him, would wish to see oil prodnction hrought down to a level that produced just enough income to meet reasonabla spending needs. The trouble is that Saudi Arabia is such a big oil exporter that a suhstantial drop in oil production — well helow the 8.5m h/d official "ceiling" now heing breached — would almost certainly lead to compensating oil price increases which would restore income levels.

Yet, all the indications ahout the Kingdom's new five-year plan, to be unveiled on May 15, are that it will embody the principles hoth of fiscal restraint and of fostering greater self-reliance among Sandis.

Though the amount of money to be allocated to Government spending during the plan period, which includes all government spending on the kingdom itself (but excludes ald and concessionary deposits abroad) has risen from SR 832hn to perhaps a little over SR 1,000bn, the figure will be in current prices.

The details of the plan and other crucial development issues are considered fully in another article. Here only two points should he made: first, a very large amount of government expenditure during the plan period will have to go to maintaining the existing infrastructure at its present standard in a fiercely bostile climate and a generally wasteful and inflationary environment. This expenditure item could eat into the allocation for new development projects.

Secondly, as the economy depends on the Government pouring money into it any drop in the real level of state spending is likely ot rednce the level of economic activity.

It would not metter much if this only meant foreign construction companies packing up and taking their foreign workers away with them: bnt their departure will also hit the housing market (already over supplied at the higher quality level), supermarkets, motor dealers, travel agents, hotels and other husinesses and their Saudi owners or part owners, many of wbom are influential.

The Saudi technocrats argue that this would be no bad thing. Abdul-Aziz Dukheil: "What is wrong with recession in certain areas—sucb as lavisb consumption and white elephants? Let things be painful for some people—better than being bad for the whole economy."

It is a view that would probably ha echoed discreetly hy Sheikh Hisham Nazer, tha Minister of Planning, wbo believes strongly that one cannot sustain an economy on construction expenditure and that in the future young Saudis sbould not be cushioned from the need for work and enterprise by the subsidies on a vast range of items from food and electricity to domestic airline tickets which are an enormous drain on the exchequer costing more than SR 6bn a year.

But, while he and Sheikh Aha al Khail, the Finance Minister, would like to see subsidies phased out in due course ha tried to cut them in last year's budget but they were restored sbortly afterwards by order of Crown Prince Fahd) there are many fundamental problems to creating a self-sustaining economy less dependent on government spending (and therefore on oil and gas), even with the considerable investment in manpower development the Government is planning.

The trouble is that there are so few other resources to develop—which is why Saudi Arabia was such a poor country until oil was discovered—and that oil will always retain a monstrous preponderance in the GDP as long as Sandi Arabia remains a big oil exporter.

GOVERNMENT EXPENDITURE AND REVENUE (SRbn)

	Expenditure Actual	Expenditure Budget	Revenue Actual	Revenue Budget	Surplus/ Deficit
1975-76	81.7	110.9	101.9	95.8	+20.2
1976-77	128	110.9	135.9	110.9	+ 7.9
1977-78	138	111.4	141	146.5	+ 3
1978-79	147.4	130	132.8	130	−14.6
1979-80	200*	160/200*	220	160/220*	+20*

* Estimates. Figures revised upwards in view of 1979 oil price rises.

Source: Based on published and unpublished official Saudi statistics.

The Saudi Minister of Finance, Sheikh Mohammed Abal al-Khail

Expenditure on new plan may exceed $300bn

SAUDI PLANNERS bave been extraordinarily coy about providing the final details of the Third Development Plan (1980-85), wbich is due to come into operation in the middle of next month. Indeed, relishing direct enquiries about the level of expenditure, Sheikh Hisbam Nazer, the Planning Minister, said, "the only one who knows is the Minister of Planning and be doesn't know."

In fact, there were good reasons for this imprecision. For there have been enough statements from himself, other ministers and advisers to make plain the priorities and size of this forthcoming plan.

The Second Development Plan (1975-80) ia drawing to a close and sbould generally be regarded as a success, and not just because Saudi Arabia's income is of such proportions that (in crude statistical terms) it was certain to exceed investment targets. It did, as was the case with the First Plan. Then financial requirements were put at SR 56.2bn ($16.9bn), and actual expenditure totalled SR 78bn ($23.4bn). Under the Second Plan, expenditure was calculated at SR 498.2bn ($149.6hn). According to Sbeikh Hisham Nazer about SR 700bn ($210.2bn) will have been spent.

The Second Plan has been successful in gradually altering the composition of the economy.

Projections for the Government sector—12.9 per cent growth rate—have gradually decelerated from 23.9 per cent the first year to match the target rate in 1978-79.

In the non-oil private sector above-average performance in agriculture, transport, communications and storage offset poorer growth in the manufacturing and construction sectors.

As evidence that the shape of tbe Saudi economy is gradually changing SAMA shows that the contribution of the non-oil private sector to the GDP et constant prices has risen from 26.8 per cent at the beginning of the plan period to 34.3 per cent in 1978-79.

By sector, the achievements of the Second Plan were outlined at a conference in Houston, Texas, last December by Mr. William Grindley, a member of the Stanford Research Institute (SRI), which has provided a team of planning advisers for all Saudi Arabia'a plans.

He identified the main areas of success as:

- The reductions of the acute port congestion between mid-1976 and early 1977.
- Improvement in labour shortages.
- Success in reducing the rate of inflation to 10 per cent in the last year according to official figures.

DEVELOPMENT PLAN

ANTHONY McDERMOTT

- Clear deflation in the cost of construction.

To this sbould undoubtedly be added the expansion in edncation at the primary and higher level. At the aame time, is it acknowledged that the performance at the key level of vocational and technical schools was had.

There is little doubt, too, that an important gain from the Second Plan was the experience in preparing and administering a development plan. The Planning Ministry, is at a disadvantage in that its powers of patronage are less than those of other ministeries.

Variations

It suffers, too, from the fact that the level of statistical data available varies considerably.

Ona question raised by the seige of the Great Mosque in Mecca was whether this would affect planning policy. The point is made that one of the reasons for the Sha'a fall was that Iran's development was accelerated without thought for the social consequences.

Economic development in Saudi Arabia has undoubtedly and inevitably caused some social disruption. But, at tbe centre of planners' calculations bas been this point, and they bave seen no reason to edapt the Third Plan as a result of the Great Mosqne incidents.

For the Second Plan had as its first principle the need to "maintain the religious and moral values of Islam."

A ministerial committee meeting last year studying the strategy of the Third Plan outlined as the top two priorities these selfsame aims, adding that the role of the *sharia* (holy law) should be strengthened and that that defence of religion, and internal and stability of the Kingdom should be assured.

Furthermore, the elaboration of the Third Plan came before the incidents in Mecca. From the middle of 1978, 14 of the top policy and technocratic staff of the key ministries had been meeting to draw up strategies and goals. A year later, the Council of Ministers estahlished the spending target. The expenditure ceiling was originally set at 831.6 bn riyals ($249.7bn) (allowing for an inflation rate of 7 per cent a year). Sheikh Mobammed Aba al-Khail, the Finance Minister, has since said that this would be in excess of 900 bn riyals ($270bn).

However, as a result of both the rise in the price of oil and a re-eppraisal of funds available and the demands of individual ministries, expenditure is now likely to exceed R1,000bn ($300bn).

But given that SAMA's conservative estimates for oil income from oil at between $75bn and $80bn this year, that tha expenditure in the plan allows for inflation, and that SAMA is unhappy at baving to cope with surpluses (possibly reaching in the balance of paymants $35bn this year), it is reasonahle to expect that the expenditure of the Third Plan will exceed targets.

Sheikh Hisham Nazer bas, in fact, been reasonably explicit about the Third Plan and its priorities. The three main objectives are:—

- To develop prodnctive industries, notably the industrial zones of Yanbu and Jnbail.
- To improve tha quality of life in the smaller and more distant towns and villages.
- To develop the Kingdom'a manpower resources by concentration on education and vocational training.

But ha adds: "As tbe Second Development Plan was about 80 per cent infrastructure, we are rolling over whatever projects we did not complete (in fact, worth some 200bn riyals —$60.1bn) . . . but there will be a reduction in the rate, but not the volume in investment in infrastructure."

Sheikh Hisham Nazer has also emphasised that in the plan "there will be an increase in the participation of the private sector." This would involve in particular the Saudi Industrial Development Fund (SIDF) and the Real Estate Development Fund (REDF).

The Planning Minister was concerned that e balance should be sought between encouraging the private sector to involve itself in more nationally oriented rather than profit-motivated projects and providing easy credits. Subsidies should be reduced, he says. On food alone in 1978-79 they amounted to 1bn riyals ($300m) for a Saudi population which planners put optimistically and tactfully at the ontside at between 6m and 7m out of 9m.

An important additional restriction on private sector operations was, according to this survey, the question of manpower. The Planning Minister emphasised this as being crucial in future calculations. Indeed, be cited this and the question of inflation levels as being the two main reasons for his inability to be precise about tha costs of the next development plan.

Even at the last minute stage, calculations were still being made to decide whether the inflation factor for expenditure should range between 7 per cent —the best estimates for inflation based on domestic factors —and 18 per cent, roughly that of the U.S., and therefore affecting imports.

The Saudi Government is con-

CONTINUED ON NEXT PAGE

Important changes ahead

BANKING

DUNCAN CAMBELL-SMITH

SAUDI ARABIA has had less need of banks than most countries. Many young Saudis enjoy the status of a big desk and the ritual bospitalities of office life. But few have any real interest in banking. Many, if not most, of their fathers still regard Islam as a bar to the payment nf interest on cash time deposits—and as an important influence on the payment of interest under any circumstances.

The money-changers of the souq still remain the preferred agency for many Saudis in their day-to-day financial affairs. Twenty-four-hour transfers of money from east to west of the kingdom are still far better left to the fabled devices of the Al-Rajhi Company for Currency Exchange and Commerce than to the mercies of any bank.

Even the kingdom's businessmen have had limited uses for a Saudi banking sector. A merchant community, swollen with surplus cash and threaded with extended families, has been broadly self-financing. Medium-term funds have been available from the six specialised credit institutions set up by the Government for the weaning of a modern industrial economy. And, for any abortfall, the specialised international bankers of Bahrain bave been eagerly at hand.

But this indifference to banking is changing. The climate bas changed because illiquidity in the riyal interbank market has choked the efforts of many non-Saudi banks to compete in Saudi Arabia. Tbe structure has changed because of the Saudi Government's own desire to replace foreign banks with Saudi institutions.

The combined effect, in some ways ironic, is that the domestic menu of Western banking techniques grows longer every month. Dependence on the meals-on-wheels services of Babrain's Off-Shore Banking Units has been falling accordingly.

Bridging loans

In the past, the substantial profits made by some of the commercial banks in Saudi Arabia have had a relatively narrow base. Most important bave been bridging loans to finance contractors' expenditure and importers' coats in advance of the receipt of government payments and sales revenues, respectively.

In the latest SAMA Annual Report, for tbe year ending May, 1979, the reported allocation of commercial bank credit shows building and construction taking 21.9 per cent (against 25.6 per cent in 1978) and commerce taking 33.9 per cent (against 34.4 per cent in 1978).
——NO 19 — 8/8½

To this business must be added a limited amount of retail banking and, mucb more important, the provision of trade financing (through letters of credit) and of contractual guarantees (through bid, performance and advance payment bonds). The National Commercial Bank, which easily dominates the whole sector, shows total footings of SR 26bn in its latest accounts. This rises to SR 44bn if all cootingent liabilities are included and the same pattern is evident in other banks' statements.

But these activities in themselves bave accounted for almost all of the domestic banking in Saudi Arabia.

The limited number of banks in tbe kingdom, the absence of interest rate regulations, the lack of a domestic capital market and the slow progress towards any investment banking activity—relying, that is, on management skills ratber thao balance sheet muscle — have set Saudi banking apart from developments in Kuwait, Bahrain and the UAE.

Nowbere is the contrast more interesting than in respect of interest rates. In the Gulf, bank rates are regulated quite arbitrarily by the Governments. Witb international rates much higher, the arbitrage opportunities have naturally encouraged an exodus of capital.

The Saudi Minister of Finance, Sheikh Mohammad Aba Al-Khail, has acknowledged manyl times the problems posed by high international rates, drawing Saudi capital overseas. He has consistently held that no short-term arbitrary solution is available—and that the longer term remedy must lie with the marketplace.

This may he easier for him to say than for some of his counterparts in tbe Gulf. Saudi Arabia has powerful social forces mitigating the sharper effects of the free market.

More important, the Saudi Government has a buge programme of infrastructural expenditure. This is the source of the money supply.

By regulating the expenditure, the Government bas controlled the growth of the money supply impressively: it was up only 14.5 per cent in fiscal 1979, against 43.6 per cent in 1978. But having no Governmeot debt market, the Saudis cannot take money out of the economy at will. Capital outflows perform this function. Without them, inflation would he impossible to restrain. With them, money can be "taken out" simply by not putting any lo, relying on the outflow to continue.

Nevertheless, concern over capital outflows has on occasions been evident in Saudi Arabia as io the Gulf. But tbe Saudis have continued to sbow a markedly greater trust than some of their Gulf neighbours in financial markets—and in their ability to use them for tbeir own ends. The trust sbows itself in tbe willingness to let borrowing rates rise in response to bigher credit demand.

The commercial hanks' claims on the private sector were up 75.9 per cent in the year to May 1979 and demand has continued high since theo. It is not possible to quantify bow mucb of tbis demand is accounted for by arbitrage speculation; but tbe latest SAMA Report does sbow resideots' foreign cnrrency deposits rising rapidly.

The ability to use the markets predictable exchange rate between the riyal and the dollar.

In this, SAMA was motivated more by its known desire to discourage international riyal speculation than by any urge to complicate the dealings of the arbitragers. Its action can hardly be described as a regulation of the market since the latter is effectively delineated by SAMA anyway. It was really a caution atht no small participants in any market should take for granted the actions of a dominating principal participant.

By March this year, some devaluation of the riyal was widely expected. Given a stronger dollar, this would bave been consistent with SAMA's earlier revaluations of the riyal as the dollar had grown weaker. But SAMA jumped the other way.

Moving the riyal away from SR 3.36 to $1, SAMA made it dearer (at SR 3.34 to $1) instead of cheaper (at SR 3.38 to $1 as was expected). Caught sbort of riyals, the market's dealers, particularly in Bahrain, suffered sizable losses in closing forward contracts.

Future moves are not predictable, either in terms of the dollar or of the SDR—whicb used to be the yardstick—and fewer positions will be left

Unfortunately, trusting to the market is less straightforward in tbe area of interest rates. To begin with, their upward movement bas been leavened by the social and religious-pressures of a community very different from the West. The result has been a three tire prime rate.

For the best customers, rates vary from 7½ per cent or less to about 9 per cent on longstanding facilities. For additional lines, rates are 12-14 per cent. And for new Saudi customers and for non-Saudis, loan rates reflect the 17-18 per cent which now prevails in the interbank market.

Sucb high rates as these imply a compromise with traditional Saudi society whicb is bound to cause some discomfort. The problem is compounded by the Government's actions to restrain inflation and —what may amount to the same tbing—the failure of Government ministries to meet contract payment dates.

Tbe present sbarp illiquidity of tbe banking market owes much to the absence of contract payments since early February and some relief is expected with tbe arrival of the new financial year, next month.

Lion's share

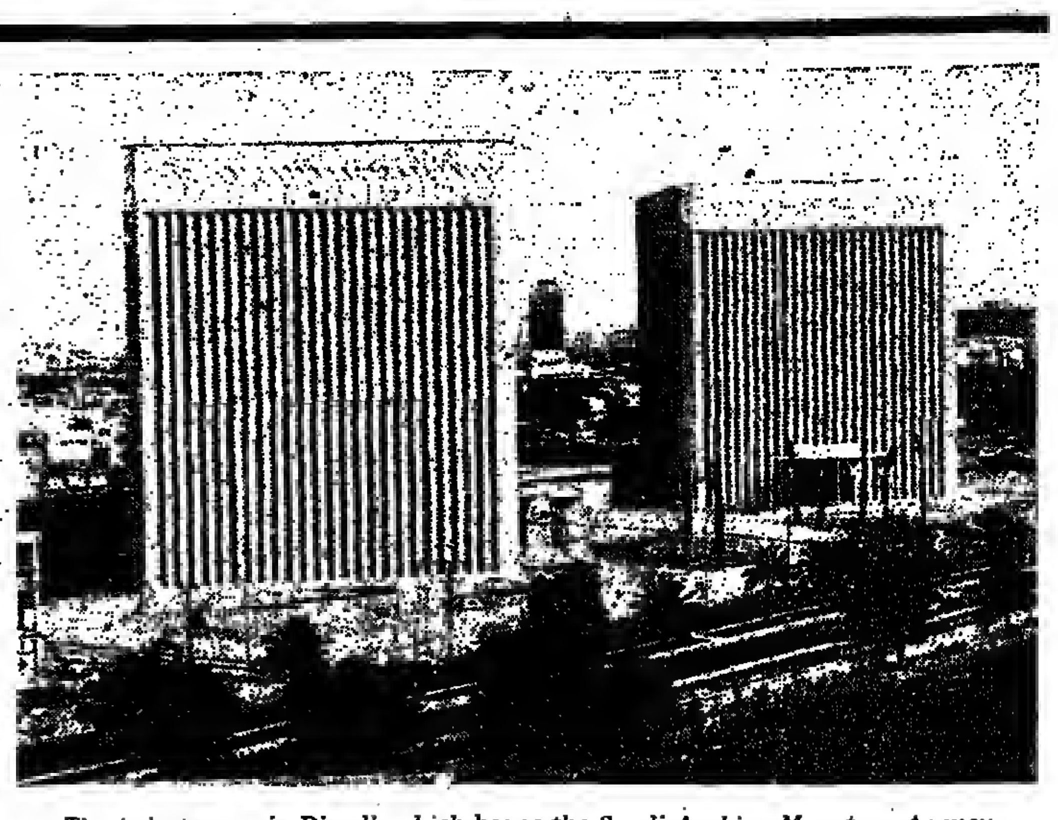
The "Saudi-isation" of the kingdom's banks—six down with four to go—is sure to beighten tbe debate over rate levels. National Commercial Bank and Riyad Bank, tbe other original Saudi bank, bave until now enjoyed the lion's share of those domestic deposits wbose owners seek no interest (but perhaps accept a small commission of 2-3 per cent). With perhaps 75-80 pe rcent of their funds arising from this source—they bave virtually no interbank borrowings—they bav been protected from the sbarper effects of higher rates.

Tbe former Britisb, Frencb, Dutch, American (Citibank, due to give way next month to the Saudi-American Bank), Egyptian and Jordanian banks are now allowed to have branches. They are keen to attract a greater share of the ebeap deposits.

NCB and Riyad Bank bave responded by expanding their regional teams, often with expatriate staff. The new joint-stock hanks (with 60 per cent Saudi shareboldings for the most part) are similarly expanding. In both cases, the empbasis bas fallen on the corporate finance departments.

Tbese are the developments which portend a major growth in the banking sector in Saudi Arabia. It is an evolution whicb will be encouraged by the needs of the expanding hydrocarbons industry and perbaps the investment activities of institutions such as the Arab Petroleum Investment Corporation and overseas banks, including Saudi International Bank based in London, anxious to build their investment banking income in the kingdom.

But the coincidence of these changes with the unsettling effect of bigb interest rates will demand that no-one forget the social tensions wbich they cause. An industry for which the country yesterday had little need, banking in Saudi Arabia looks set to become a good deal more conspicuous.



The twin towers in Riyadh which house the Saudi Arabian Monetary Agency, the country's central bank and investment authority

Expenditure

CONTINUED FROM PREVIOUS PAGE

fident that it can lessen its dependence on foreign manpower, Sbeikh Hosbam Nazer was vehement tbat foreign labour amounted to only just over 1m, but this is half the size of most estimates, particularly when compared with a Saudi workforce of about 1.5m.

According to the official argument a gradual reduction in construction and greater empbasis on management and maintenance will reduce the demand for foreign labour. This will be parallelde by the development of a larger indigenous workforce, composed both of graduates and of those studying at vocational and technical schools.

It was an indication of the extent to whicb the Government has been preoccupled by the question of employment that earlier this year it decreed that persons under 35 would be banned from holding taxi driving licences. For the taxi-driving profession was both attracting people entering from other professions and clearly affecting, for example, the civil service, from which moonligbting during office hours was prevalent.

But more miportant is the question of the employment of women. This was undoubtedly a controversial issue in the compilation of the plan. Sbeikh Hisham Nazer described it as "one of the lievlist debates taking place" and said that their rigbt to work—provided it di dnot mean mixing with men—had been accepted by the ulema or religious leaders.

By the end of the Third Plan, he reckoned there would be about 40,000 women gradnates, not necessarily wanting to enter the areas already earmarked as uncontroversial employment, such as education, medicine and the social services.

But the fact remains that most people regard as remote the cbances of Saudi Arabia being able to provide sufficient local work force for such enterprises as the vast industrial zones planed at Jubail and Yanbu and, of being able to interest women, whose academic records are often higber than those of men, in being telephonists, typlsts, or in postal work (which the Planning Minister identified) or even in extending tbe operations of a wholly-female banking system.

Saudia Arabia and its officials and advisers are not sheer plan-worshippers, operating under the belief that to have enshrined priorities and allocations almost tantamount to having achieved them, even if financial resources are enormous. Dr. Gbazi al-Gosaibi the Minister of Industry and Electricity in a lecture to King Abdel-Aziz University in Jedah at the beginning of Marcb had six bome truths for those of bis generation who bad thought that "wealth was tbe gateway to Utopia."

First, he said it was an illusion to believe that the Kingdom bad unlimited resources.

Second, he said, that money could not provide all the answers. It would be an illusion to "belivee that any problem could besolved by throwing a bundle of banknotes at it."

Third, problems could not be solved just by setting up another body—a symptom of the "organisational delusion."

Fourth, was the belief that all problems could be solved just be importing people and material from abroad.

Dr. Gosaibi went on: "The fifth of our development illusions pertains to bte erroneous beliefe that at present and in the future we can dispense with a basic human function, namely labour . . .the decline of tbe work initiative is now getting to be a widespread phenomenon: it is being replaced by inclinations towards luxury and the pursuit of easy materialistic benefits . . . . This negative outlook to work bas developed into the abandonment of private initiative and reliance instead on the state."

Finally, he said that another danger on the road to development to be avoided was "the notion that bappiness can be obtained througb wealtb, authority and fame."

He went on: "Once I had the belief that our desires would ever outstrip our wealth. I was convinced that our wealtb was the gateway to Utopia: I bad not discovered the great peril embedded in the materialistic outlook, nor the barm of tbe spiritual void."

Tbis sums up the spiritual and psychological conflict at tbe beart of Saudi Arabia's development plans.

Income may reach $80bn this year

OIL

ANTHONY McDERMOTT

THE PRIORITIES and circumstances of Saudi Arabia's oil industry have altered considerably in the past few years. As recently as two years ago, the Government appeared to be planning to raise production to at least 14m barrels/day, and the U.S. was pushing for even higher levels.

Today installed capacity is 12m b/d, and production levels could be sustained at about 1m barrels less. But such have been the changes in prices and the politics of oil that to most Saudi officials the current production level of 9.5m b/d, 1m above the ceiling the government set at the beginning of 1978, seems too high, although this sets them at odds with the Arabian American Oil Company (Aramco), the producer of 97.1 per cent of Saudi Arabia's oil in 1979.

First, oil prices have risen so stupendously (for Arabian light from $12.7038 barrel at December 1978 to $26 today), that it is becoming both financially embarrassing and uneconomic to continue to produce at current levels. For Saudi Arabia the issue of conservation is less pressing than elsewhere, for at current output it is assumed present reserves would last for 60 years. Nevertheless income has risen enormously from $37.6bn in 1978, to about $50bn last, and according to the Saudi Arabian Monetary Agency (SAMA), it could be as high as $80bn on the basis of average production of about 9m b/d this year. One estimate has put the balance of payments surplus this year at $35bn. SAMA admits openly that the placement of surpluses is becoming increasingly difficult. Addressing the European Management Forum in Davos in February, Sheikh Ahmed Zaki Yamani, the Oil Minister, made the point, "Alternative investments for surplus revenues are needed. Saudi Arabia produces and exports far more than it needs in regard to its financial requirements, and clearly leaving oil in the ground would at present be its best investment for its future." Or at least, "the time will come when we will not renew contracts unless we have an agreement or technology transfer."

Sheikh Yamani went on: "The sad situation that now exists is that every produced barrel of oil surplus to Saudi Arabia's financial needs is converted into dollar investments in existing money markets, where inflation sees to it that in real terms only negative returns are earned." In an interview, he reckoned that Saudi Arabia would require only production of 5m b/d "to live comfortably with all our commitments."

Secondly, Saudi influence within OPEC has waned. The times have gone when Saudi influence on prices was ultimately paramount. There was no clearer example of this than the announcement earlier this year that the price of the reference Arabian light crude would be raised by $2 to $26 a barrel, backdated to January 1. The intention was to bring some pressure on other producers towards prices, one of the main planks of Saudi policy.

Unfortunately the effect was just the opposite, with other Gulf countries, and African producers all imposing further surcharges on their oil prices. On production levels, Saudi Arabia announced in March that 9.5m b/d would be sustained at least for the second quarter of this year, after a considerable degree of wavering and self-doubt. Sheikh Yamani, who has been highly critical of consuming countries accumulating both strategic and consumer oil surpluses pins his hope of reunification of prices on the absorption of crude oil surpluses reaching its limits. By the summer, he would hope, the oil producing countries will "have a good chance to sit down and reach a unified prices system."

Third factor

An important third factor is international politics. The events in Iran — reducing Iranian oil production by two thirds to about 2m b/d—and the overthrow of the Shah have indicated how a society can be disrupted by overrapid economic development, and an apparently well-established ruling class swept away. The Soviet Union's invasion of Afghanistan plus the likelihood that later this decade, Russia will be seriously in the market for Middle East oil, have reaffirmed some of Saudi Arabia's worst fears about Communist intentions.

The U.S.-engineered peace treaty between Egypt and Israel has created further worries. The Kingdom is fully aware that its oil is potentially the most powerful weapon for bringing pressure on the U.S. to obtain a fair deal for the Palestinians. Saudi Arabia wavers between trying to separate oil from politics and from making the explicit threats, which it feels are its due, having, in part kept oil production at 9.5m b/d to offset the fall in Iranian production.

As Sheikh Yamani said at Davos: "We do not believe the Camp David resolutions can provide any solution to the Arab-Israeli conflict. Only the application of the UN resolutions giving a homeland back to the Palestinians will resolve the situation. It can be assumed that the West will pay a heavy price if the conflict is not resolved. The oil weapon of course represents one way this might happen." While Saudi Arabia would be extremely hesitant to use the oil weapon for fear of what it might do to Western economies, the political dilemma which it has been trying to avoid is a confrontation in which it had to choose openly between Arab and western interests. Already in that context it feels awkward at being aligned with the "immoderate" Arab states hostile to Camp David.

Saudi Arabia's oil strength may be judged from the fact that its reserves expand faster than they are being depleted. Aramco, in which Texaco, Socal, Mobil and Exxon still have a 40 per cent stake, last year produced 9.25m b/d compared with 8.066m b/d in 1978 and the previous peak in 1977 of 9.02m b/d. Saudi Arabia's total production, when its share of the neutral zone with Kuwait, through the Arabian Oil Co. of Japan (197,600 h/d), and the Getty Oil Co. (£80,900) is added, reached 9.53m b/d. Aramco put proved and probable reserves in 1978 at 113.3bn and 177.8bn barrels, and, as a result of new discoveries, both are now up by about 100m barrels.

In 1978, three new oil fields—Jalsdi and Wari'ah onshore in the northern part of the large retained ares No. 1, and Harqus offshore in the north—were discovered. Last year another five fields were found, four onshore and one offshore, bringing the total number found to 47. Of these 15 are in operation and linked to the pipelines network. The largest fields are Ghawar, on shore (1978 reserves estimated at 61bn barrels, Safaniya (the largest offshore field in the world, 13.5bn barrels), and Abqaiq, onshore (6.5bn barrels).

But it is deliberate Aramco policy, at the behest of the Saudi Government, that exploration should continue. As in 1978, there were six seismic teams (including a double team) operating. While experts are are convinced that no finds on the scale of the giants will be made, they are confident that in Aramco's six retained areas all in the east of the Kingdom, Saudi Arabia's reserves can continue to expand through the finer delineation of existing fields and the discovery of small fields. In 1978, a total of 120 wells was completed onshore and offshore for all purposes, and this number was increased considerably last year.

To maintain production levels, Aramco for more than a quarter of a century has been injecting gas to keep the pressure of reservoirs up. Since the early 1970s Aramco had been using salt water from prehistoric reservoirs for injection in the Ghawar field. In June last year, the first stage of the largest seawater treatment plant in the world, was opened at Ras-Qurayyah. At present 4.5m barrels/day of treated seawater is now being jumped into the north Uthmaniya area of Ghwar. By 1982, with the completion of five more units, a further 3.6m b/d will be being injected into the Ain Dar and Shedgum sectors of north Ghawar. Costs so far for this project have amounted to $750m. In addition, Aramco has been operating facilities to remove water and salt produced in association with oil in maturing fields. In 1978, this capacity, used for north Ghawar and Abqaiq, totalled 475,000 b/d.

The order in the summer from IHI of Japan for four new desalting plants, will result by 1981 in an additional 1.3m b/d of crude being made available from wells in north Ghawar, shut in because of salt.

For some time, Aramco has been operating on the assumption that it has been taken over completely by the Government. In fact mention of the intention to take over Aramco was first made in 1974. Talks began four years later and general terms arranged back-dated to January 1, 1976. Compensation has been settled, and ultimately it would be taken over by Petromin, which would become a National Oil Corporation. And yet, although Sheikh Yamani has frequently spoken and written of the formal takeover occurring shortly, it remains still a 60:40 ownership.

It may appear anomalous that the largest OPEC producer is still not theoretically master of its own house. But it appears not to matter, as Aramco, as its officials concede, operate in terms of production and orders as if the takeover had occurred and as if it was a service company. Cynics add the footnote that perhaps there is an added incentive in the four companies operating at full stretch through still having a 40 per cent participation rather than a completely new relationship. It is suggested, too, that there may be some dissatisfaction with the agreed production fee allowed per barrel, and the extent to which it covers the investment for the development of wells and further exploration. In addition, although it tends to be underplayed, Aramco's entitlements which related to levels of liftings are under dispute.

Sheikh Ahmed Zaki Yamani, Saudi Arabia's Oil Minister, at an OPEC meeting. Sheikh Yamani has consistently pressed for moderation in the cartel's pricing policy.

Expenditure on a huge scale

GAS

ANTHONY McDERMOTT

THE PACE at which the enormous natural gas-gathering and processing scheme in the Eastern Province is proceeding is a fine indicator of the degree of commitment of both the Saudi Government and the Arabian American Oil Company (Aramco) to this project.

Its history is now well-known. Saudi Arabia started in 1974 to investigate the feasibility of exploiting associated gas reserves. The original cost estimate by Texas Eastern Transmission Co. of Houston was $5bn. In February 1975, Aramco was assigned by the Government the task of designing, constructing and operating this system. Since then costs have rocketed, to $10bn at the end of 1975, and $16bn a year later. Currently costs could exceed $20bn, making it one of the largest contracts ever awarded.

Three main factors account for this escalation in costs. First, in the initial planning stages, detailed costing had not been fully done so that costs soon moved up swiftly. Second, inflation inevitably took its toll and was exacerbated by the project being pushed through at a time when Saudi Arabia's infrastructure was severely congested. Finally, the decision to extend the scheme to include a gas pipeline between Jubail on the Gulf and Yanbu on the Red Sea also increased costs.

The Government seems unperturbed by the prospects of this massive expenditure. Furthermore, once the premise is accepted that Aramco's oil production should be in the region of 9.5m barrels/day then logically the development of gas gathering system of these proportions and thereafter related heavy industry follows.

With the exception of three small natural gas fields. North and South Kidan, and Suhul, in Aramco's Retained Area No. 5 in the Rub' el-Khali Empty Quarter, Saudi Arabia's gas is produced in association with crude oil. Four-fifths of this gas is flared off. Aramco reckoned at the end of 1978 proved and probable gas reserves to be 66.715bn cu. ft., and 112.912bn cu.ft. respectively. Thus gathering gas, and the average rate is 600 cu. ft./day produced with each barrel of crude oil lifted, will reduce a waste of resources. Furthermore, it will provide cheap feedstock for the country's ambitious industrial strategy based on the development of the petrochemical and metallurgical projects in the Jubail and Yanbu zones. This, it is hoped, will strengthen the Kingdom's efforts to diversify its economy and also provide substantial income in addition to that earned from crude oil sales.

Aramco already has a gas gathering system in operation which, according to its 1978 annual report, consists of 25 existing gas/oil separation plants (GOSPs). Work is also proceeding on additions to these GOSPs, whose numbers have since risen with the commissioning of new plants. The existing Aramco system is used partly for re-injection of gas back into oilfields to keep up reservoir pressures, partly for some locally used fuel, and partly for the Saudi Cement Company plant at Hofuf.

In addition, the now successful Saudi Arabia Fertiliser Company SAFCO) draws 43m cu. ft./d of methane from GOSP No. 3 at Abqaiq for the production of mainly urea, but also ammonia, sulphur and sulphuric acid. (Incidentally, SAFCO pays only pipeline costs for its feedstock.) Other gas is gathered at Abqaiq for pumping after separation into natural gas liquids (NGL) to the fractionation and treating plant at Ras Taoura.

Process

Basically, the fractionation process consists of passing the ethane-plus-NGL feed through a de-ethaniser column, a depropaniser column and a debutaniser column where the gas liquid stream is separated into ethane, propane and butane and natural gasoline as a result of controlled vaporisation and condensation.

Aramco's plant at Ras Tanura first began natural gas liquids (NGL) production from associated gas in 1962. Its production had risen in 1978 to 249,341 b/d of NGL, but capacity has now risen to 360,00 b/d, and production last year reached 312,000 b/d.

There are five main elements in the new Aramco-managed system, which is designed overall to collect and process a total of 3.5bn cf/d. This is consonant with an oil output of 7.5m b/d. (Compared with the terms of an earlier plan, this represents a reduction from 5.5bn cf/d, associated with crude liftings of 12.5m b/d.)

The first, the Berri gas plant, was commissioned in October 1977, and processes 400m cf/d methane destined as feedstock for Jubail (or initially for power generation) and produces 54,000 b/d of NGL. Oil from the offshore Berri field flows into four GOSPs. Last July the first of a two-module sulphur recovery plant went on stream at the Berri gas plant. Each module's capacity is 700 tonnes/day.

The second plant at Shedgum is ahead of schedule. The plant consists of four identical gas-processing modules. The first is expected to be operating at full capacity two or three months before the schedule start of the beginning of July. The remaining three modules will come automatically into operation at three-month intervals. Each module will be independently capable of processing 375 m cf/d, to give Shedgum an overall capacity of 1.5bn cfd.

According to Aramco, the Shedgum plant's daily product yield will be approximately 700m cf of sweetgas, 160,000 b of recovered NGL (propane, butane and natural gasoline), 730m cf of ethane and 1,600 tons of sulphur.

It is supplied through gathering lines from 10 GOSPs in the Shedgum and Ain Dar areas of the Ghawar field.

The third element, the NGL fractionation plant at Ju'aymah, close to Ras Tanura, began start up procedure in January with an initial flow of 25,000 b/d feedstock from the Berri gas plant. Start up operations were brought to an end last month with an initial flow of between 40,000 and 50,000 b/d. The plant will reach its full capacity of some 300,000 b/d of ethane plus NGL when the four Shedgum modules become operational. The Ju'aymah complex, which was designed as the main fractionation and export centre for NGL for the Eastern Province system, consists, beside the fractionation plant, of an onshore terminal with refrigerated storage for up to 2.4m barrels of propane, and up to 1.8m barrels of butane, and offshore liquid petroleum gas (LPG) (propane and butane together), loading facilities that are connected to the onshore terminal by a six-mile long trestle because of the shallowness of the waters of Ju'aymah. The offshore loading facilities were expected to be completed by early May, at which time the first propane and butane shipments will be made.

The fourth component of the gas-gathering system is at Uthmaniyah. It too could be completed ahead of schedule, towards the end of next year. It is to have the capacity of converting 1.4 cf/d of associated gas into 325 m cf/d of methane and 305,000 b/d of NGL.

The final plant is to be situated in Yanbu, some 730 miles away from the oilfields in the Eastern Province. This is to be linked by two pipelines one for oil (Petroline) and the other for gas. Under the supervision of Aramco, Techint Arabia, a joint venture of Panama (a subsidiary of Techint of Italy and Argentina) and Abdul-Rahman Turki Corporation of Saudi Arabia are building the gasline. Costing 350m riyals ($105m), the 26 ins-30 ins gasline is expected to be operational by January next year. Its first task will be to fuel the 11 pumping stations of the accompanying Petroline.

The initial capacity of 48 ins Petroline is to be 1.85m b/d of crude oil, rising by 1982 to 2.45m b/d. Both pipelines are under the control of Petromin, the state oil and gas organisation, and the contract for the design and construction for Petroline was won by Mobil. By 1983, it is hoped that the gasline will be supplying the Yanbu fractionation plant with 270,000 b/d of liquid gas products. The ethane will be used to feedstock of the local petrochemical complex.

In broad terms this whole project, whose separate parts are already beginning to interlock, is expected to recover 1.9bn cf/d of methane, and 260m cf/d of ethane. The former will be used inside the Kingdom for desalination and power. For one of Aramco's additional original responsibilities was the expansion and integration of the electricity grid for the whole Eastern Province. This subsection of the overall development of the area—managed by the Saudi Consolidated Electric Company (SCECO)—is discussed elsewhere in this supplement.

The NGL, to be broken down into propane, butane and natural gasoline, is for export. Refining the associated gas will also leave Saudi Arabia with about 3,900 tonnes/day of sulphur for export. The system is already enormous—it will add 10 per cent to the world's capacity for NGL and make the Kingdom the world's chief NGL exporter for many years—and it could be even further expanded. It has been estimated that offshore oil fields producing associated gas—this would mainly be Safaniya—could add another 800m cf/d, as was originally conceived in the original plans. Whether the gas-gathering scheme will be a success or failure will depend on two chief factors.

The first is the question whether there could be a surplus of feedstock for the industrial projects in the event of delays in their construction. The second depends on the ultimate viability of these projects and whether there will be a market for Saudi Arabia's NGL exports. At this stage, it does not look as though those projects will be able to plead as an excuse the establishment of projects to provide cheap feedstock.

Predictably, the Saudi government remains optimistic. Dr. Abdel-Hadi Taher, the Governor of Petromin, was already claiming last October, that it had sold, at least in principle in the form of letters of intent, all its available NGL up to the mid-1980s. It will consist roughly of 40 per cent propane, 30 per cent butane, and 30 per cent natural gasoline. And earlier this month, Mitsubishi Corp., Mitsui and Co. C.Itoh and Nippon Oil signed the first direct contracts for NGL and LPG, reportedly with each company buying 250,000 tonnes of each product. Dr. Taher told the influential Nicosia-based, Middle East Economic Survey, that the prospects for gas liquids were looking very healthy indeed. "Earlier we had projected a surplus of NGL/LPG in the mid-1980s," he said. "But now we think the market will be more or less in a state of equilibrium at the time."

Petromin's oil refinery at Jeddah

Life becoming easier as oil revenue rises

SPREADING THE WEALTH

JAMES BUCHAN

SHEIKH Abdullah bin Rimal marshals a hundred black tents in tha country about Jawf, on the northern margin of the Nefud desert.

Compared to the townsmen, his people are poor, and the rains have not heen good.

Already the young men are away 11 months of the year, returning at the Ramadan holiday to shower their familes with "townee" cash.

Sheikh Abdullah hadly needs land, money and building blocks for the crude concrete boxes that are the first taste of sattled life for so many beduin in Saudi Arabia.

An old man, Sheikh Abdullah approaches first the tradtional sources of patronage. The Amir of Jawf grants him some land, a strip of desert some way from the town, wateriess, literally without value until five years ago. He flies to Riyadb, taking bs seat on the Boeing 737 without curiosity—and for the price of an English commuter rail ticket.

At the tower on Riyadh's Airport Street, wbicb houses the Government's Real Estate Development Fund, he mortgages tha Amir's land for a loan to cover the cost of building bis village.

At the offices of the Saudi Industrial Development Fund upstairs, be proposes a loan to cover half the cost of a concrete block plant: he does not trust operators in Buraidah and Dammam. The loan will earry a nominal commission, but he can hope to amortize the plant by supplying demand in Jawf.

Lifa is becoming easiar, in purely material terms, for all Sandis.

It would be surprising if this were not so, given the rising level of oil revenue since 1975 and a Saudi population of only 5m, inured, until recently, to a struggle for subsistence.

Per caplta income is between $10,000 and $15,000, up to 50 times that of neighbouring North Yemen.

Equally, the Saudi Government has not seen the need to recoup the enormous and inflated cost of providing Saudis with the necessities of comfortable life.

Electricity is charged at a rate of U.S.½ cent per kilowatt bour—all the companies are subsidised—and few Saudis in the towns cannot afford to waste power in extravagant air-conditioning.

Medical care and secondary adncation, where they can be provided, are free; university students receiva generous stipends.

To protect the public from inflation, tha Government has subsidised hasic foods and bousehold goods to tha tune of some $5bn a year in 1979. That year, tha original State budget proposed a cut in subsidies as an effort away from consumption spending; a public outcry ensured the vote was restored.

The throne, and individual members of the Royal Family, also disburse considerable sums in rather baphazard patronage either in response to the petitions of bedouin that occupy so much of the King's day or through Prince Abdullah's National Guard and Prince Sultan's armed forces.

Cash civil lists for members of the Royal Family are no longer given as a matter of course (in contrast to the situation of the 1950s, where about £20,000 was being disbursed to each member). Nowadays, none of the Princes is without land.

This prosperous picture must be qualified. Although the per capital incoma is high, at least two-thirds of national income bas until now been invested in building projects, or State industry and assets held abroad so that bousehold incomes would be much nearer $5,000 a head. The SIDF believes that, desplte the subsidies, over 40 per cent of household spending is on food.

Pattern

Further, the first beneficiaries of the boom that followed the quadrupling of oil prices in 1973-74 were not ordinary Saudis, but the merchants, construction firms and middlemen. It appears that bousebold incomes did not soar in a consumer boom until 1975. Construction has slowed since 1978 and it is strongly predicted that bousehold incomes have followed the same pattern with the same time lag. Before the disorders of last winter, the Government proposed spending plans for the next five years that were marked hy a strong bias against construction and, presumably, any similar dramatic growth in bousehold incomes.

They are contending with a growth in the Sandi population that, for all the doubts about the 1974 and 1977 census surveys, is clearly over three per cent.

Actual poverty still exists. It occurs where desert or monntain barriers have blocked the flow of construction money, as at the decayed town of Jizan in the south-west; or where long-standing sectarian attitudes bave proved hard to dislodge, as in the Shi'ite villages of the Eastern Province. Many immigrants, and particularly those pilgrims, who bave stayed on illegally, live in appalling conditions.

The problems are relative, rather than absolute; all carry political dangers. First, the bulk of the wealth is gathered in Jeddah, where there is a strong commarcial tradition; in the cities feeding the oil industry of the Eastern Province; in Riyadh as the home of the Royal Family and all disbursement; and, to a much lesser extent, in the military cities.

Tha inequalities in income are perbaps unprecedented in history. A young clerk in the civil service can earn as little as $600 a month, while a deputy minister starts at $2,500 but will spend more than $1m on his main house (thanks to his husiness interests); a yonng prince with access to decision-making might not he content with $240,000 per day as a commission from a singla oil contract.

For young Sandis who do not own land, the obstacles to building up capital are formidable; these partially explain tha squalid scramble for gold of the past year.

Second, many of the mechanisms installad to spread oil money have been ill-designed and either worked against their object or generated inflation. The Real Estate Development Fund had to close for nearly a year because of chaos, not only in the fund itself, but in the rural areas wbere demand for materials had got quita out of hand.

A grant of $3,000 for each fisherman to stay at his craft merely allowed "many to take a windfall and leave tha industry," in the words of the Planning Ministry.

Men such as Hisham Nazer, the Planning Minister, have pointed to the third danger in the growing sense among Sandis that the State will provide all. Many in the Government feel this has undermined individual and national independence.

At one level, the major State banks for housing, indnstry or farming have very poor repayment records.

The Real Estate Fund has committed nearly $13bn, representing perhaps as many as half a million dwellings. As if in despair, the fund recently decided to offer 25 per cent rebates for thosa wbo pay their instalments on-time. This move is regarded by many bankers as the first step towards a general cancellation of debts.

It has been argued that these issues matter little, since oil wealth is either fortuitous or providential and is trickling down. This appaars to be optimistic. Oil revenue is regarded by almost all Saudis as the English regard what they pay in taxes and bow it is spent is the subject of the greatest importance to them.

It is not simply that corruption and waste are becoming political issues, but that expectations are irreversible.

The first oil taxes were the perquisite of the ruler and, even late in the 1940s (when the first budget was publisbed), the largest spending item was for cars, drivers and gasoline to transport the Royal Family between Riyadh and tbe towns and camps of the west. The earliest public works, such as the Jeddah water supply of 1946, wera royal generosity, not duty.

In the course of the 1950s, the extravagance of the court all but bankrupted the kingdom. The then Prince Faisal, as Prime Minister, devised grants of land as an alternative to civil lists that he was powerless to stop. It is ironic that this measure, designed to curb disbursement, has proved one of the major drains on revenne as the development plan of 1975 gave a compensation or building value to tracts of sand, granite, saltmarsh and even, in Jeddah, the inner coral reef.

Inevitably, the foundation of the Real Estate Fund in 1976 contributed to tha speculative pressure and the immense increasa in land values is tha basis of most Saudi fortunes.

A singla compensation payment, made for a few acres of saltmarsh near Jubail, would buy much of the Grosvenor Estate in London. Faisal's first royal grants, now a hotchpotch of small palaces in west Riyadh, look paltry against the vast princely tracts further west, planned out for universities, an Olympic stadium and a diplomatic quarter.

Land is still at the haart of Saudi ideas of wealth. Only very few Saudis have a conception of the opportunity-cost of money and the dampening of the real-property market since 1978 has not been followed by equivalent sales of land or reductions in rent.

Almost the first response of King Khaled after the siege at Meeca was an order to restart grants of land; these bad flagged simply because almost all land with the remotest speculative value under the Government Plan was spoken for, while new apartment blocks stood empty.

The Government has also tried to ensure that what profits were made from the translation of oil money into building should accrue to Saudis.

For some time, retailing and, except in certain cases, real property have been forbidden to foreigners; lately, tenders for basic construction and bnilding materials have also been confined to Saudis.

Since 1978, tha rule has been that intermediaries in Government purchasing should also be majority Saudi-owned though large commission payments, that have survived criticism, muted at home, strident abroad, have been squeezed by the greater competition since 1977.

Confidence

The effect of these policies on local inflation, and even the State's financial position has been severe and the Finance Ministry has been tackling the excesses with increasing confidence.

For some time now, Crown Prince Fahd has been the authority for all but tha most modest disbursement and this has permitted the Government to reject demands from powerful quarters that it would not otherwise feel ready to oppose.

A sugar refinery that was proposed by Prince Abdullah Al-Faisal and Tate and Lyle which the SIDF could not justify, even on the argument of "strategic value," so beloved of Saudi industrialists, was not granted Government finance.

But this form of control merely increased the weight of overwork that drove the crown prince to the point of nervous exhaustion in the spring of 1979, while those of his immediate family involved in business were seen to enjoy an unfair advantage.

In the absence of other controls, the finance ministry has held up payments for compensation and projects of dubious worth or with large commissions by sticking closely to the letter of its published budget.

Until the Mecca incident, when the King ordered the backlog of compensation to be cleared, and no new work begun without payment of compensation, it was estimated that the City of Jeddah alone owed $1bn.

The new Five-Year Plan rejects firmly this haphazard way of dispensing the wealth. First, it proposes a shift away from construction as a generator of private incomes. Acording to the SIDF, "If all projects now under way or planned proceed as scheduled, and no new projects are started, by 1984-85 project spending in real terms will be no more than half this year's level of $30bn."

The Plan offers, instead, major assistance to the private sector to generate capital; reform of loan evaluation and disbursement; help for selected regions "with growth potential" (presumably, Asir); while a more literal banking atmosphere, even some form of stock exchange, ara promised to help private capital formation.

At the heart of thia new attitude may lie a sense that the high expectations of the population are neither politically safe nor socially desirable. But reality will be somewhat different as the King's decrees over land and compensation have already shown.

Doubts over stability of overseas investment

FINANCIAL SURPLUS

JAMES BUCHAN

IN THE ideal land of the Third Five-year Plan, Sandi Government oil revenue and the earnings on its foreign assets would equal the requiremaots of development. "The maintenance of a large surplus," the Finance Minister, Mr. Muhammad Aba Al-Khail, said recently, "is not consistent with our economic expectations."

Yet this calendar year, the Government is likely to see a surplus of nearly $30hn over its hudgeted spending.

For a number of reasons, the plan proposes a curb in the growth of spending over the next five years. If this policy is achieved, and provided that the period sees no repetition of the world oil glut of 1978, the Saudi Arabian Monetary Agency, the country's central bank and investment authority, expects the surplus to exceed $20bn a year until 1985.

Already, SAMA's small Foreign Department and its advisers from Baring Brothers and Merrill Lynch White Weld have to dispose of over $300m a day into investments overseas. SAMA is responsibla for investing funds from various government accounts and special funds, hut the hulk of its responsibility — or ahout $240m today — is payment for oil.

Nightmare

The doubling of the Saudi oil price in 1979 was considerably less welcome than the fourfold increase of 1973-74. The jump in revenue makes a nightmare of the Government's attmept to use a tight spending policy to curb inflation and the growth of foreign labour and to engender some social stahility. Equally, the return of the surplus occurs at a time of unprecedented doubt over tha stability of overseas investment, aggravated by the freezing of Iranian assets in the U.S. banking system last November, and over an international payments system srtained saverely by the dollar financing of oil imports.

The dilemma is complicated in that the Saudi Govarnment dare not and will not treat oil policy simply as a function of domestic revneue needs. Althougb SAMA was alarmed by the mounting rate of disbursement through 1978 and part of 1979, the bigher production levels since the Iranian revolution are primarily a response to world, and particularly U.S., needs.

In 1974, Saudi Arabia enjoyed a current account surplus of $24bn and was unable to spend its budget. By tbe middle of 1978 an IMF staff report found the budget in daficit by about $2bn and estimated it would be $12bn short for 1978-79. That year the balance of payments registered a small deficit.

In the early years after the 1973 price rises, the sole constraints on spending bad heen the ability of officials to disburse and contractors to import. By 1978 these bottlenecks bad heen broken and, with a glut in the oil market, SAMA began reporting a decline in its overall foreign exchange reserves from their peak of $60bn at the end of 1977.

Indeed, so serious was the spending of foreign currency that SAMA estimated at tha end of 1978 that total reserves wonld be down to half the 1977 figure by June 1980; and that the level of reserves over and above the amount required by law would be down to zero hy tha end of this year. (About $25bn is earmarked for the full backing of the currency, an account to cover all outstanding Government letters of credit, such international commitments as tha $2.5bn for the IMF and the capital of the state funds).

Impressed by the SAMA projections, tha finance ministry moved in 1978 to control the hudget much more closely while the price of oil continued to climb. By November 1979, reserves stood at $57bn, according to the governor of SAMA, Abdul Aziz Al-Quraishi. The recovery was nndermined by a continued capital flight, estimated at between $3 and $5bn during 1979, from a private sector untrammelled hy exchange controls.

Curiously, it was not until the reserve position had recovered that the full effect of the spending on reserves, as reported to the IMF, was revealed. When the International Financial Statistics for last November showed a decline of $13hn, a journal that has consistently angered SAMA, International Currency Review, reported that a group of princes had burgled the monetary agency. This was ludicrous and untrue, but gained some credence among hankers who had failed to nderstand tha extent of Saudi spending.

Yet the same journal, two years earlier, had accused SAMA of deliberately understating its foreign assets to the IMF for political reasons. The very large gap between liquid assets as reported in IFS ($19bn) and the total accumulated budget surplus ($57bn) reported to the Saudi Government is explained simply by SAMA. For all practical purposes, SAMA's denition of liquidity only embraces short-term deposits, made on a daily basis in the world's front-line banks. SAMA's vast boldings of of U.S. Treasury bills and other government debt are not classed as such because they conld not be discounted, for the purposas of the Saudi Government, without disturbing the market. SAMA has denied it has a formal agreement with tha U.S. Treasury over this issue, although Congressional testimony has sbown that $2.5bn was covered by arrangement in 1974. What agreemant exists now is unlikely to be more than, for example, the understanding with the Bank of Switzerland that SAMA consult first before making deposits in Swiss francs.

The bulk of the surplus is classed as investments; apart from Treasury hills and other government bonds, this includes between $3.5bn and $4bn in soft loans to Third World governments (which SAMA is not sanguine of seeing again), lending to blue-chip companies and a little equity.

While heavy spending accounted for the hulk of the fall in reserves, 1979 did see one major change in Saudi Arabia's investment policy. To fund its vast military construction programme and to pay for weaponry from U.S. sources, Saudi Arabia had maintained in Washington a revolving trust fund managed, interest-free, by the Defence Department.

Saudl Arabla had pledged in 1978 to finance a squadron of F-5s for Egypt from this fund. As the rift between the two countries grew wider, the Kingdom's feeling that it should honor its obligations came under growing Arah pressure and, in an atmosphere of promise and counter-promise from the Saudi leaders, the Military Works Directorate and the Foreign Departmentt moved tha funds into an interest-bearing portfolio in the hands of tha New York Federal Reserve.

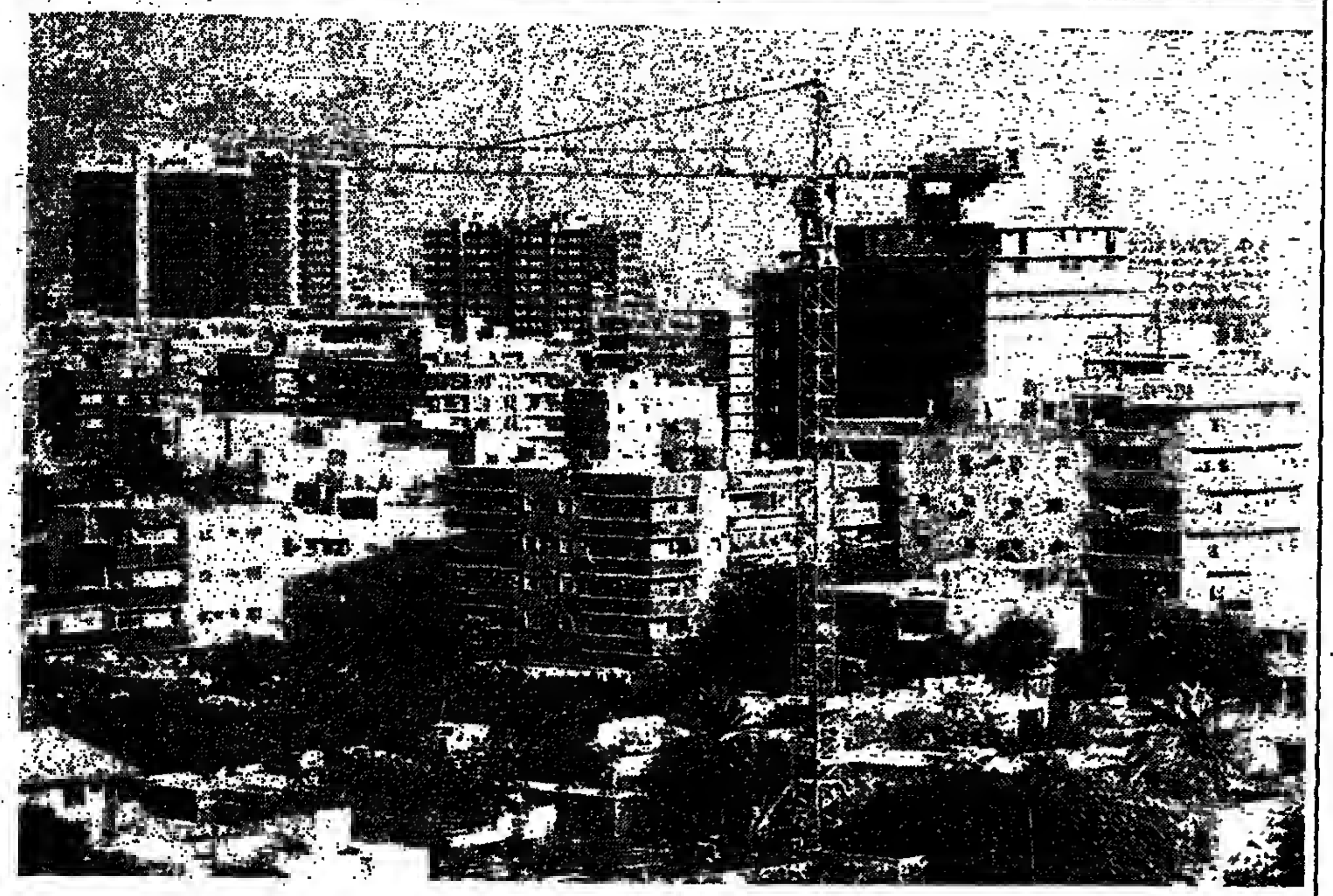
After the oil-price explosion of the early 1970s, SAMA had little choice hut to place the greater part of its foreign assets in dollar denominations, amounting to about 75 per cent of its total holdings ahroad. With tha deterioration of the value of the dollar relative to other currencies in 1978 and 1979, thare was some attempt to diversify "as is natural for oil producers with surpluses," in the words of Aba-Khail.

SAMA was not, however, prepared for the freezing of Iranian assets in November. It appeared that the Sandi Government makes a clear distinction between its soft loans and concessionary deposits in the Muslim countries and Third World and the security of the U.S. banking system. Whatever the pnblic pronouncements — and Aba Al-Khail endorsed the freeze as a measure "related only to specific circumstances" —both SAMA and the most senior ministers were hadly upset.

Yet SAMA, simply in its day-to-day business, was obliged to make a deposit at Wells Fargo the week of the freeze; and the vast increase in revenne since the Caracas OPEC meeting has meant that the Foreign Department is having difficulty maintaining dollar holdings below tha 75 per cent ceiling.

In recent months, there bas been greater emphasis on long-term loans and deposits to help central hanks finance the results of Caracas. Traditionally, Saudi Arabia and SAMA have preferred project aid, which is easier to monitor against waste, hut with much of the world in difficulties over financing oil imports, this attitude has changed. Negotiations in recent months have secured assistance for Pakistan, the City of Sao Paolo and the central banks of New Zealand, Turkey and West Germany (which has sought long-term finance of up to DM 5bn). The appeals of Third World countries, which may be tying up their total foreign earnings in oil payments, have become increasingly hard for Crown Prince Fahd to resist. In multilateral terms, the kingdom will be increasing its commitments to the OPEC Special Fund; from its seat on the IMF executive committee, Saudi Arahia has also backed discussions of a hroader oil facility.

Financial officials point out that their projections of the surplus remain speculative, since neither the oil market nor Government spending can ba predicted with certainty. Equally, increasing funds, perhaps as much as $20hn, will ba repatriated as part of the Government'a commitmant to industrial and petrochemical joint ventures. Even so, it appears probable that SAMA's investibla surplus will be of the order of $200bn by 1985.



Six years of hectic construction activity have given Jeddah a new skyline, while the construction crane is still ubiquitous

Competition intense as market tightens

CONSTRUCTION

TIM SISLEY

THE PAST year has seen a tight construction market in Saudi Arabia become almost constricting. While the rate of awards and the volume nf work under way have both picked up significantly in the past six months; competition bas become bloodthirsty, materials supplies are still often erratic, payments are still delayed, interest rates are still usurious and it is still harder than ever to find labour.

All eyes are on the Third Five-Year Plan, which comes nut next month. Predictions for the construction sector, which is just about everything in the kingdom, can reassure or worry at the same time: a fall in real spending compared to the budgeted $142bn of the Second Plan and a reduction in infrastructure work are balanced by commitments to develop the regions, to maintain what bas already been laid and to sail downstream to the industrial Avalon.

With that, there will be a good deal of nufinisbed business left from the Second Plan, the whiteelephonts of the new Jeddah and Riyadh airports, the Sunrise City palace complex in the Eastern Province, the new campus for Riyadh University, King Khaled Military City, which has already devnured $1bn in infrastructure alone in its quirky mission to fill out the corners nf Arabia, Jubail and Yanbu industrial complexes and simply tidying up the shoddy mess of five years of urban development. The easy answer, suggested by the cynicism that contractors acquire in the arcane world of business in the kingdom, is that the spending and the juggernaut of construction will roll nn.

The central fact of the present construction market is the harshness of competition. Iran has gone and recession in the West and the non-oil underdeveloped world have turned Saudi Arabia into the only place to find work in quantity.

Every contractor now has tales to tell of South Koreans underbidding him by a third or of Saudi companies taking contracts at hefty losses, just to stay in business.

British contractors, seldom successful in Saudi Arabia, are forced in the indignity of putting up SR 10m training schonls.

The Royal Commission for Jubail and Yanbu, which has cbarge of infrastructure for the two planned industrial cities, has 7,000 contractors prequalified. Of the 264 foreign contractors in Riyadh, 48 are South Korean. Allied with the time and money it takes to tender for government work only to find the contract was anyway going to another firm with better backing, several foreign firms declare themselves about to chuck the Kingdom in and go home.

Tbat is perbaps tbe reason why 21 consortia, a total of 78 contractors, have prequalified for the last announced giant project in Saudi Arabia, the Barhrain Causeway. It is felt a last cbance. Loog-discussed and long-delayed. It is understood that Saudi Arabia is now prepared to spend a possible $1bn on a bridge to link Bahrain with the Peninsula, definitely intending to go ahead with an award in September.

Rioting

There is little point in economic terms, as any shot in the arm to either the Bahraini economy or that of tbe Eastern Province would better have been given years ago, but the Shia rioting last year that spread from the island to the Kingdnm has apparently decided Saudi Arabia that a firm indication is needed that Big Brother is watching.

Some tip for the award groups with an element of Far Eastern manpower, a factor tbat bas not been a flash in the pan in disrupting the Saudi market. Cheap, disciplined and efficient, the demobilised conscript laboureres of South Korea have continued to be tbe trump card in tendering. Predictions that rising wage rates at home would force the Koreans out have not been found true, and that even despite the huge embarrassments of Yulsan and Hyundai.

Yulsan went to the wall amid fraud charges against its founder in Seoul early last year. The South Korean Government hastened to assure Saudi Arabia that projects under way would be finished, and it arranged for other firms to see that they were. Far frnm tarnisbing the Korean image, the prompt action gladdened the Saudis. Hyundai was less easy to cope with. At the end of 1979 it was banned from tendering for government work over allegations that a local manager had tried to bribe an official of the Military Works Directorate with $8m in cash. The ban still obtains, but other Korean firms are no less popular. Government assurances again helped. No one asked, incidentally, why he thought he could get his contract that way: an increasingly important element in construction.

Government assistance if only in financing and labour recruitment, seems evermore important. The French, Japanese and West Germans report better results last year than the year before — the British do not — and the argument runs that close relations between the Government, banks and contractors are the cause. It is an argument reinforced by the American experience: while the British have maintained a constant sbare of a growing market since 1973, American contractors bave seen their share decline from nine per cent of $10bn in awards in 1976 to three per cent of $23bn in 1978.

Western firms, though, may be returning to the domination of the market that they had lost over the last couple of years. They maintain that the Saudi experiment of going to Saudi and Third World contractors for all but the most specialised works has been recognised a failure.

In rural electrification, the abrupt cancellation, in 1977, of allegedly inflated Western bids for four projects and the government-to-government negotiations for Korean, Taiwanese, Indian and Pakistani firms to take the work bave passed into Saudi folklore.

Cost over-runs on at least the Taiwanese job came to a third of the contract value, and Western firms are being looked at for new rural power contracts. Similarly, there will be an increasing small demand for process plant.

Some say the same bubble will burst for the Saudi contractor, the small man who bids to break even to keep equipment from standing idle while his foreign competitor would up sticks. With an increasing number of less specialised tenders open only to Saudis, ropey bidding is alleged tn be commonplace. There was some disbelief at the award of six sections of the Riyadb ring road in March to Saudi contractors, with tbe charge made that "they could not possibly do it so cbeaply." Similarly the award of the equipping and maintenance contract at the new Riyadh television centre at tbe same time to the Saudi firm Dallah Avco, let after negotiation over the low bidder, Bosch Franze.

Official assertioos that Government costing departments are now in control of tenders are a little too brash. Padding of bids is encouraged by bam-fisted assessment. Nevertheless, with much equipment amortised, a genuine wisb to split awards to help the local firm and the rise into ability to handle most basic works of Saudi firms, costs are coming down. The question is whether they are to low.

Purges

Labour problems remain a constant thorn in the flesh of the contractor. Casual manpower has all but disappeared from the market after a series of continuing Interior Ministry purges of illegal aliens.

Since the Mecca attack, visas are even barder to obtain. Block visas take an average eight months to come through, and that only after the application bas been presented with a contract and building license, clearly a difficulty with a 12-month award.

Overall, there seems a move away from the traditional sources of man power in the Sub-continent and north-east Africa, with Filipinos and Thais favoured as more efficient. There appear fewer Yemenis on all but thesmallest sites, presumably still kept by Saudi firms unwilling to offer the conditions Far Easterners would demand.

Although the import of materials is reasonably smooth, sudden fluctuations in demand can put the delicate balance of the system out. In February, a special order had to be made for tbe import of an additional 15,000 bags of cement a day to Mecca and Taif, after demand jumped by some 50 per cent across the kingdom as contracts were squeezed in before th end of the financial year in May.

Reliability of supply is still elusive: at the new Jeddah airport the Royal Pavilion will be delayed by the late delivery of locally-produced limestone and granite facing mterial.

Payments are less of a worry. The Ministeries of Agriculture and Water and Municipal and Rural Affairs still tend to run six months late, bnt the chaos of 1978's payments freeze, a heavy-handed attempt to slacken an inflationary pull, is remembered elsewbere. Ministers urge contractors with complaints to come straigbt tn them, and ne wrules bave been issued for completed projects to be taken over immediately. Fnr those unpaid, though, while finance is increasingly easy to obtain from banks, interest rates are runing at 15 per cent or more. *Vae victis.*

Construction work on the Wasia pipeline which is bringing water to Riyadh from the Wasia aquifer, 120 km to the east

MAIN HEAVY INDUSTRIAL PROJECTS

COMPANIES	LOCATION	FEEDSTOCK	PRODUCTION	CAPACITY	STATUS	EST. COST
			PETROCHEMICALS			
Saudi Pecten (SABIC/Shell)	Jubail	Salt, ethane, benzene	Ethylene	656,000 t/y	AFA	$3bn
			Styrene	295,000 t/y		
			Ethylene dichloride	454,000 t/y		
			Crude industrial ethanol	281,000 t/y		
			Caustic soda (by-product)	355,000 t/y		
SABIC/Mobil	Yanbu	Ethane	Ethylene	450,000 t/y	Signed March, 1980	$1.6bn
			Low density polyethylene	220,000 t/y		
			Ethylene glycol	220,000 t/y		
			High density polyethylene	90,000 t/y		
SABIC/Dow	Jubail	Ethane	Ethylene	500,000 t/y	AFA	$1.6bn
			Low density polyethylene	68,000 t/y		
			Ethylene glycol	300,000 t/y		
			High density polyethylene	105,000 t/y		
SABIC/Exxon	Jubail	Ethylene	Low density polyethylene	240,000 t/y	AFA	$2bn
Saudi-Japanese Methanol Company (SABIC/Japanese consortium)	Jubail	Methane	Chemical grade methanol	2,000 t/d	Signed Nov., 1979	$300m
SABIC/Celanese-Texas Eastern	Jubail	Methane	Chemical grade methanol	2,000 t/d	AFA	$300m
SABIC/Mitsubishi	Jubail	Methane	Ethylene		Feasibility study April, 1980	$2bn
			REFINERIES			
Petromin/Shell	Jubail		Naphtha	94,000 b/d	Signed April, 1980	$1bn
			Gas oil	92,000 b/d		
			Fuel oil	67,000 b/d		
Petromin/Mobil	Yanbu	Crude oil and NGL	Gas oil, jet fuel, naphtha, heating oil and heavy duty oil	250,000 b/d	Signed March, 1980	
Petromin/Socal and Texaco	Jubail		Lube oil	12,000 b/d	Being designed	
			Naphtha	63,000 b/d		
			Distillate	43,000 b/d		
			FERTILISER			
Al-Jubail Fertiliser Company (Samad) (SABIC/Taiwan)	Jubail	Methane	Urea	500,000 t/y	Signed Dec., 1979	$360m
			METALLURGICAL			
Saudi Iron and Steel Company (Hadeed) (SABIC/Korf-Stahl)	Jubail	Iron ore and natural gas	(Dry) sponge iron	800,000 t/y	Signed March, 1979	$600m
			Steel billets	850,000 t/y		
Jobail Rolling Mill	Jubail	Steel billets	Rods and bars	850,000 t/y		
Jeddah Rolling Mill	Jeddah	Steel billets	Rods and bars	140,000 t/y	Signed mid-1979	$30m
(Sulb) (SABIC/Korf-Stahl)						
Aluminium Smelter	Jubail	Natural gas and alumina	Aluminium ingots and other products	225,000 t/y	Signed May, 1979	

b/d: barrels/day; t/d: tonnes/day; t/y: tonnes/year; SABIC: Saudi Basic Industries Corporation; AFA: Awaiting final arrangement.

Compiled from SABIC and other sources.

All set for rapid transformation

HEAVY INDUSTRY

ANTHONY McDERMOTT

OVER THE uext few years, the industrial zones at Jubail, ou the Gulf, eud Yanbu, ou the Red Sea, will undergo remarkable transformation. Already the initial evidence of Seudi Arabia's determluatiou is visible, as vast sandy sites are cleared and measured up for the future ordered tangle of pipes, storage tanks and buildings required to establish beavy iudustry ou a large scale. Saudi officials take encouregement — with a slight eir of smugness — from the fact (as the eccompanying chart shows) that the joint veutures with foreign companies are now being signed at an increasing rate. For they sense elso that until a few years ago, such projects and the scale of the Jubail aod Yaobu undertakings, if uudertaken at all, were seen as chronically unviable wbite elepbants.

Credit for helping tu guide and encourage this uew-found foreign enthusiasm must go largely to two organisation: The Royal Commission for Jubail and Yanbu (RCJY), whose secretary-general is Dr. Farouk Akhdar, and the Saudi Basic Industries Corporation (SABIC), wbose chief executive and vice-chairman is Dr. Abdul-Aziz al-Zamil. Both were established, with blessing from the highest royal authority, to cut through bureaucracy and to provide a sole agency, rather than several Ministries, with which foreign companies could deal. In this role they bave been largely successful, even if somewhat overwhelmed by the number of businessmeo and compenies applying for the large uumber of busiuessmen and companies applying for the large number of contracts available for the infrastructure aloue of these two zoues.

Daunting task

The RCJY was established in 1975 with the basic and dauuting task of implementing the master plans for the two sites, setting up and operating the infrastructure and community facilities, providing manpower and also trainiog Seudi nationals. The master plans for the two zones, which cover a 30-year development period, were drawn up by the U.S. consultants Saudi Bechtel and Seodi Arabian Parsons, and It has been estimated by the Committee for Middle East Trade, based in London, in a study of Jubail and Yanbu, that the eventual cost of the infrastructure for which the RCJY is responsible is $35bn.

SABIC was set up by Royal decree a year later as a joint stock company with au iuitial capital of 10bn riyals ($3.3bn), totally subscribed by the Saudi Government (although within six years of its establishment 75 per cent of the stocks heve to be turned over to the public). Its maiu tasks are to balp the creation of downstream industries ranging from hydrocarbon-based to iron, steel eud aluminium, using as a starting point the Kingdom's maiu uetural resources. It has as a result become a key partner in 10 of the main industrial projects iu Jubail and Yanbu (and Jeddah).

There is an uudeniable logic in the direction which Saudi Arabia has chosen to diversify its ecooomy. First, the size of its populatiou is such that capital rather than labour-inteusive projects must be more attractive, for it is one of the key strategies of the Third Development Plan—even if oue unlikely to be achieved—that th enumber of foreign workers should be at least kept level.

In addition, according to Dr. al-Zamil, the maiu manpower requirements for SABIC projects can b emet locally. "We reqnire from the engineering and managerial side 530 people. We hope to get half of them as Saudis. . . . Wa already have 140 and the rest can easily be obtained over the next four year." He is optimistic that Saudi Arabia can go a long way to reversing the current 30:70 Sandi-foraign ratio in finding 9,000 workers at other levels.

A secoud crucial element is the presence in vast quantities of uatural resources, mainly oil and gas (although minerals could have a promising future eventually), making it almost inevitable that the choice for involvement in petrochemicals, refineries, fertilisers and iron steel plants should be made.

Saudi direct labour involvement in these projects will also help to bring ebont the transfer of technology which Sheikh Ahmed Zaki Yamani, the Oil Minister, frequently calls for as part of any hydrocarbons deal.

Furthermore, the private sector has both been slow to respoud to the heavier industrial opportunities, not ieast because of the size of the capital outlay. While the Government has inevitably had to give the lead because of the size of the projects at Jubail and Yanbu, the longer term strategy is that the lighter industrial opportunities (such as household goods, PVC, detergents and textile chemicals) thus provided by the prodncts will encourage the private sector to become more deeply involved in industry.

Finally, the example of the Saudi Arabian Fertiliser Company (SAFCO) is cited to show that Sandi Arabia can run an industrial euterprise with success. For, after a disastrous start, resultiug in e dispute with Occideutal over the turnkey contracts (something Saudi Arabia has learned from) and design weaknesses which resulted in it operating for the first few years after the original deal in 1964 at between 30 and 40 per ceut capacity, SAFCO is uow highly successful.

It ran at full capacity uf 300,000 tounes/year in 1979, exporting over 90 per cent of its chief product, urea.

As a result, there is in SAFCO some feeling that it should had more than advisory role in the SABIC-Taiwan Fertiliser project for e urea plant to be built in Jubail.

And the reaction and involvement of foreign companies? Dr. al-Zamil recalls: "The most farocious and most concerted effort was made by the international chemical companies in the world, by agencies concerned and directly or indirectly by the Press to cast unbelievable amounts of doubt on the feasibility of petrochemical productiou in developing countries, especially Saudi Arebla." He went on: "We argued with them, and slowly, slowly, till finally in 1978 and 1979 they themselves came up to state it is only logical, feasible and uetural that petrochemical prodnction shonld be near tha secure source of raw materials and has to be based on long-term security of supply."

Broad support

This view, with several reservations, appears to be broadly supported in a recent book by James Bedore and Louis Turner entitled "Middle East Industrialisation—A Study of Saudi and Iranian Downstream Investments." But it points out that the OECD countries, while accommodating themselves gradually to industrial products from the Middle East and North Africa, will especially during this decade fight a considerable rearguard action against them. Furthermore, into the argument must be fed the questions of the high cost of constructing sophisticated plant in Saudi Arabia, and maintaining it in an unfavourable climte; of the lack of skilled labour; and thereafter the problem of marketing the product.

Against this are cited the key points of the cheapness and availability of feedstocks, which as a result of the enormous rise in hydrocarbons prices in recent years has become an increasingly important factor. Capita lis also comparatively cheap. The recent joint venture between Petromin and Shell for a 250,000 barels-a-day (b/d) export refinery in Jubail is to be financed along a pattern set by SABIC: Finance is to come 30 per cent from equity capital (half from Petromin and half from Shell), 60 per cent from a low-interest loan from Saudi Arabia'a Public Investment Fund and 10 per cent from outside borrowings.

But the agreement last mouth betwen SABIC and Mobil for a petrochemical plant in Yanbu was of interest in that the full details of marketing, and above all feedstock pricesing and crude oil entitlements, were uot settled in advance. For oue particular lure in times of possible crude abortages has been the offer by Saudi Arabia of "incentive crude" against investments.

This bargaining started at about 3,000 b/d against every $1m invested. It has fallen cousiderably. Two formulas for petrochemicals have apparently been suggested: 1,000 b/d for each $1m of equity investment in 1975 dollars, or 500 b/d for eech $1m in current dollars. The "incentive" crude for refining projects would be around half that for petrochemicals, because in the former case the foreign partner also has an entitlement of refined products.

To strengthen the argument that investment in Saudi heavy industry and its products can be viable, the point is made that while the OECD market may be both uver-protected and over-supplied, tha African and South Asian markets are both geographically close and have vast potential development.

But whatever the arguments, the facts are that contracts are being signed, and, about all, the sites at Jubail and Yanbu are going ahead and will be to provide full facilities in time to accommodate the earliest projects. At Jubail, Dr. Jishi, the Director General of Jubail, believes that by the end of 1982 or begining of 1983 the infrastructure will be fully in place, although the construction of plant could begin before.

As yet the two zoues impress more by their open size than anything else—Jubail's 900 sq km, against Yanbu's 150 sq km. That is until one sees scale models showing how the plans for full communities, not just for primary, secondary and support industries will look. In Jubail the first two-storey permanent dwellings—as opposed to the already established numerous and well-equipped temporary workers camps—are going up. Jubail, once a small fishing village, now has a local populatiou uf colse to 9,000, and there is no better symbol of the dimensions along which Saudi Arabia is thinking as a whole than that by the end of the century it should have a permanent community of 373,000.

SAUDI ARABIA XIII

Much scope for development

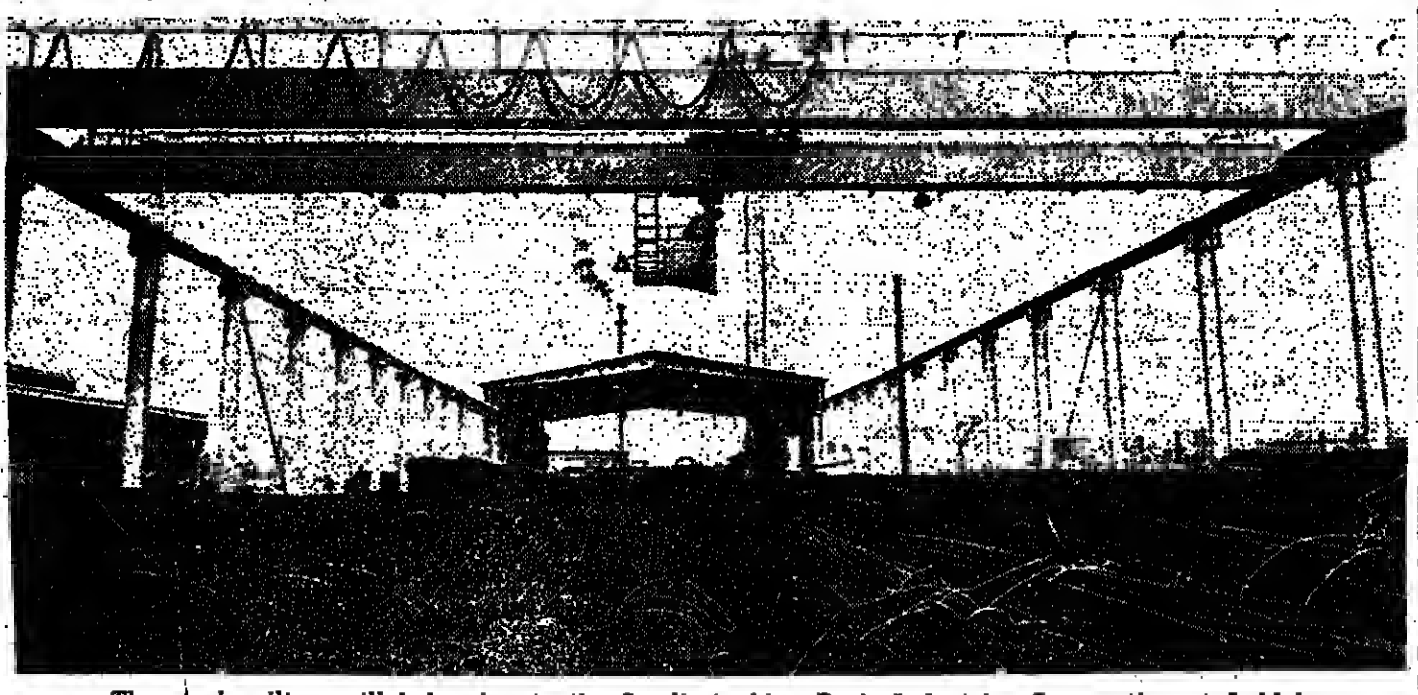
THE VERY ancient gold mine at Nahad al Thabab in the Hejaz, largest gold producer in the ancient world, is now worked out. But circumstantial evidence indicates that it may well have supplied the gold for King Solomon's temple in Jerusalem. That copper, silver and zinc were also extensively mined in ancient times in Western Arabia is attested by the frequency of abandoned mine workings. But from the decline of the Abbasid Empire in the Middle Ages, this, the only form of industrial activity in Saudi Arabia, was abandoned and industry revived, in different form, only with the substantial exploitation of the oil discoveries in the period after the second world war.

The pastoral and mercantile society of Arabia lacked that rich base of craftsmanship upon which the industrialisation of Europe, America and Japan was built, and indeed it beld in some scorn the traditions of artisan labour. Other forces have provided the impetus to the current remarkable development of manufacturing and service industries in the Kingdom.

Aramco, perceiving the need for support industries, led tha way by identifying opportunities and assisting prospective entrepreneurs in establishing enterprises in construction, mechanical and maintenance contracting, transport, offshore servicing, catering and many other fields related primarily to the company's own needs.

In 1973, when oil prices rose from $2.5 per barrel to $11 per barrel, marks the real turning point for Saudi industry, as it does for most other aspects of Saudi economic life. The enormous ingrement in Government revenues, rapidly disseminated to the populace, encouraged a boom which still continues in construction and consumer goods and thus created a market sufficiently substantial to interest local merchantsin establishing import substitution factories. Encouraged by the Government, which has provided serviced plots in industrial estates, cheap power, cheaper finance and a "buy-Saudi" policy for Government purchases, and encouraged also by the appalling delays in landing goods in 1976-77 due to the congestion of the then hopelessly inadequate port facilities, the past six years have seen the establishment of over 500 substantial new manufacturing units which are now in production or in course of implementation.

Saudi Arabia is now virtually self-sufficient in the principal building materials: production of cement, clay, concrete and sand-lime bricks, tiles, aggregate, precast concere and prefabrication systems, doors, windows, and other lesser items will be adequate to satisfy probable demand by next year. Similarly with other types of contractors' supplies: paint, screws, steel scaffolding and reinforcing mesh, fencing, insulation materials, air conditioners and desert coolers. Having high volume and weight to value ratios, many of these items were bovious choices for local production. More recently emphasis has been placed on consumer goods. Foodstuffs (represented by moder dairies, bakeries, soft drinks plants, date packing and meat processing facilities) household goods (plastic bags, containers and utensils, blankets and other textiles, detergents, insecticides and other chemcals, furniture and furnishings, housebold appliances (such as refrigerators) all contribute to lessening the dependence on the outside for important items of consumption.



The steel rolling mill belonging to the Saudi Arabian Basic Industries Corporation at Jeddah

MANUFACTURING

FRASER JOHNSON

Small workshops

This industrial development is, a present, concentrated in the three principal centres of Riyadh, Jeddah and Damman/Dhahran, with only a small percentage and that of the less sophisticated factories, being located outside these areas. Industry is almost entirely in the hands of the private sector (the major exceptions are the large basic industries in steel and petro-chemicals planned for the new industrial cities of Jubail and Yanbn), and there is little attempt by the Government to direct it in particular directions. The Government does require industrial projects to be licensed through the Ministry of Industry: permission is seldom withheld unless tl Ministry feels that sufficient pjects in that sector have aready been licensed. The hding of a license confers the rit to apply for a serviced pt in the industrial estates, to aply for financing from the Instrial Development Fund, ar to anticipate preference in Gernment purchasing.

New ventures

ie Saudi Industrial Developmet Fund was established in 19: to finance new industrial veures on concessionary ters. Medium to long-term loa: (average seven years) are grated to companies able to dennstrate a likelihood of the projects being financially and economically viable and fittig the Government's devopment criteria. Capital- and energy-intensive projects are encouraged; labour-intensiverojects are looked on with les vour. Funds covering up to : per cent of a project's capil requirements (or up to a leer percentage if Saudi intests do not own a majority of sires) are lent at a cost of aroul 2 per cent a year.

Th minimal cost bas inevitably roved of great attraction, and ever more so than this year when interest rates on loansfrom commercial banks are ahost double rates charged less tan a year ago, at 15 per cent td upwards on overdrafts. Cause of this sharp climb in rates, allied to a general scarci of commercial funds, must e sought abroad: and since ie rial is linked to the SDR ad therefore tends to follow ie U.S. dollar, and since there re no restrietions oo capital utflows, domestic rates must fcow outside trends if a severe iortage of funds is not to ensu

Hencethe growing attraction of SIDFfunding. The interest differenal can be vital to a new industryto protect it against import)mpetition. For the Ministryf Commerce believes in imposg new tariffs of up to 20 per ct on imports only as a last rort, preferring not to distort te free market except where vally necessary to protect an idustry. Power costs, too, play role. At seven halala per kWh(there are 100 balala to the ral) electric power is extremel cheap: gas, too, derived rom the huge gas-gatheringscheme in the Eastern Province, represents another vast potatial low-cost energy source fo power-hungry industries sucl as aluminium extrusion or zic galvanising.

But hy, despite these inducemets, do entrepreneurs in Arabiaurn to indnstry as an investmei? There is, after all, no tradion of manufacture. Their welth is a product of trade anc commerce, of rapid turnover nd no long-term commitment, nd of effortless and extraordiary profit in land speculatio. In part it is to be explainedby a desire to show a continuin commitment to the country, n responsa to ministerial exortation: an affirmation of elief in the stable future ofthe country, financed by a part of those surplus funds not sent abroad. In part also it is a logical product of the new generation of business school graduates returned from America with ideas to practice. For thise group profit earned by efficiency and good management practices is more important than it is for the first group, whose motivation is a blend of the political, patriotic, prestigious and profitable.

In this small (about 7m inhabitants) but affluent market, the intitial prejudice agains tthe "made in Saudi Arabia" label appears to be receding. Local manufacturers clearly offer advantages to stockists: ease and rapidty of delivery, a willingness to accommodate local tastes and a need to finance only a low level of stocks. Tbe local consumer equally has little cause for complaint. Whether he is purchasing salt or bisruis, cardboard boxes or fibreglass pipes the quality is equivalent to imported products and the price generally lower.

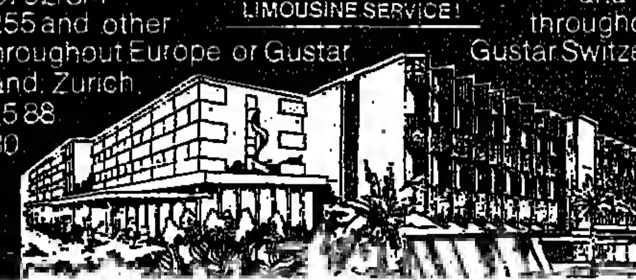
Other Gulf State also bave their industrial programmes. Their domestic markets are far smaller than that of Saudi Arabia. But so far there is little real co-ordination of effort o ensure hat duplication does not occur. There are, to be sure, committees and working parties, and a growing realisation that something sbould be done, but to date no license is known to bave been refused on the grounds that sufficient capacity already exists in other Gulf states. It is foreseeable that this will lead to considerable waste or misdeploment of funds the elimination of which in this and oher areas mnst surely be one of the prime objectives of Saudi officialdom in future. Better real co-ordination, greater interest in preventive maintenance, equipment recycling and a quantum leap in th present, very inadequate financial planning and control are all recognised to be essential to the bealthy survival of industry in this free market.

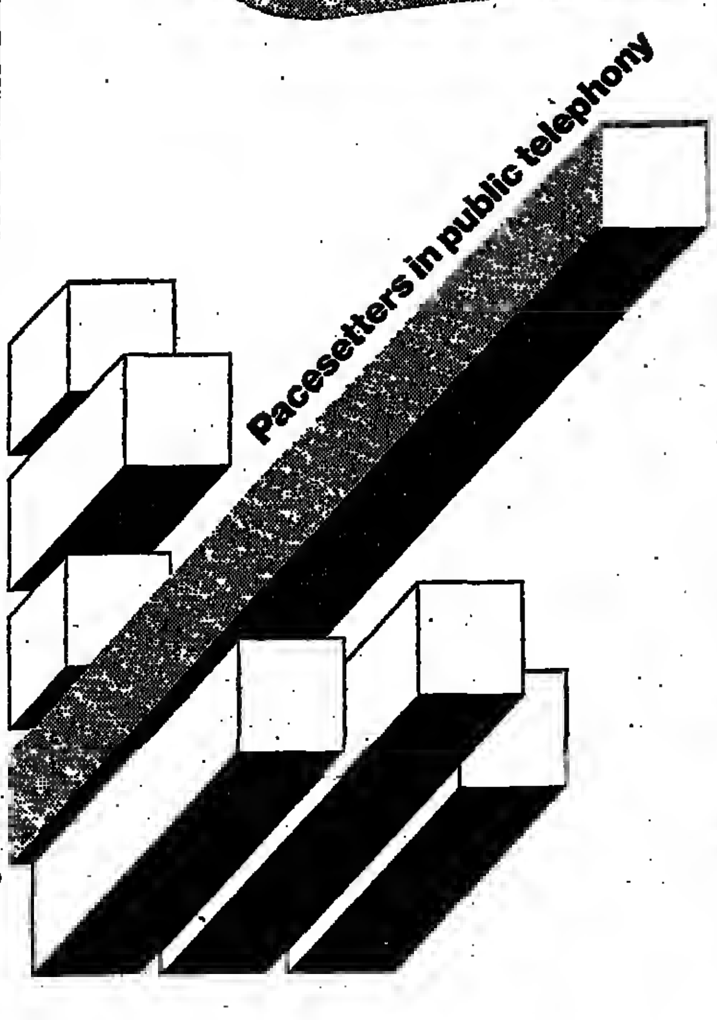
Rapid growth

The finishing touches are now being put on the third five-year plan. While the plan is not yet public, it is known to be placing beavy empbasis on productive investment and manpower development, rather than infrastructure which bas taken the lion's share of the cake until the present. This implies a more rapid growth in industry. The limited size of the market makes it difficult to foresee a long vigorous growth in import substitution projects, since many of the available sectors, particularly in building materials, are now in a supply/demand equilibrium. In foodstuffs, plastics/chemicals, and metalworking opportunities still undonbtedly exist. But increasingly attention will be focused on export possibilities, using feedstock from the large petrochemical plants planned for Yanbu and Jubail. The extent to which downstream export factories will be erected depends upon the Government's approach. By maintaining a cheap capital and energy supply, and by subsidising the necessary raw materials many possibilities present themselves, not only to neighbouring states, but to Europe, Asia and Africa, backhauled on vessels presently returning from the Gulf in ballast.

A dream? Perhaps. Few other countries would consider or could afford to consider such a programme. But there is a genuine concern for the educational, social and technical development of the Saudi citizen, from a current low base. Must has been accomplished in the last 10 years, but standards are still not high. Much more wil be done, in the coming decade, but without satisfying employment prospeets, a contradiction between talents and expectations on one hand and oportunities on the other must inevitably arise. The expenditure of a small part of the country's resources on such a programme might therefore not be a poor social investment. The current workforce in Saudi factories is almost entirely foreign: the combined need to keep wages low to be competitive and to employed skill men, sees to that. But without a mnch greater involvement of Saudis in the workforce, experience with technology and skills will continue to be remitted to Asia and to Europe as contract personnel depart. The temperamental disinclination of the Saudi to work in industry will surely change over time: a subsidy programme to industry would hasten this change.

Three key men in Saudi Arabian idustrial development. From left to right: Saleh al-Naim, Director-General of Saudi Industrial Development Fund; Abdul-Aziz al-Zamil, Vice-Chairman and Chief Executive of the Saudi Arabian Basic Industries Corporation; and Farouk Akhdar, Secretary-General of the Royal Commission fr Jubail and Yanbu





Problem of public services

THE TRICKY thing about infrastructure, as Saudi Arabia is discovering, is that the more you build, the more yon need. The Second Five-Year Plan declared itself intended to lay the bases for productive prosperity, but every worker brought in to run the burgeoning utilities sector himself creates the need for more utilities.

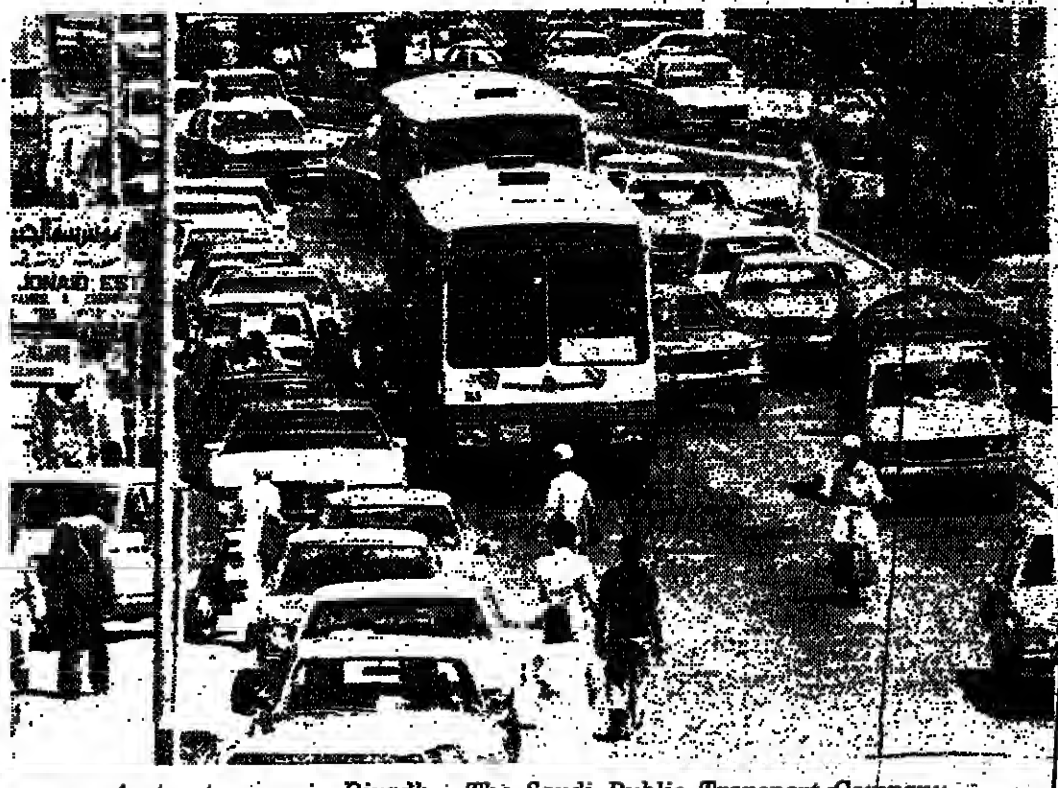
On top of that the infrastructure of public services is unglamourous. It is easier to get money for a military city no one needs than for swamps to be drained in Qatif. Nowhere is that sbown more plainly than in tbe six months' it took to find the money for the desperately needed emergency sewage network for Jeddah.

Any visitor is aware of the overloaded sewage pipes, bursting into dank puddles, and the sour smell that hangs over the town. The sewage system was built 20 years ago for a population then of 60,000 and an anticipated growth to 200,000 now, covering only the centre of town. Sert Jackson, the consultant drawing up a master plan for the next ten years for the municipality, estimates the present population at 1m. The single existing treatment plant is working at its full capacity of 40,000 cubic metres a day. In some areas, six-inch piping will simply not take the load.

The Western Region's Water and Sewage Department drew up plans for an emergency system to carry 96,000 extra cubic metres a day for the five or six years it will take to build an entirely new mains network covering fro mthe north of the new airport to the far south, roughly the city boundaries Sert Jackson anticipates, and capable of serving 3m people.

Twenty-fonr companies came forward, but it proved impossible to squeeze the money out of a Ministry of Finance and National Economy given to taking the idea of controlling the money supply literally.

The award, wortb SR 147m, eventually went in Marcb to a joint venture of the Saudia Electro-Mecbaoical Company and tbe American Lyco.



A street scene in Riyadh. The Saudi Public Transport Company started an efficient city bus service in 1979

URBAN DEVELOPMENTS

TIM SISLEY

Overheated

Tbe trouble is tbat there is oo co-ordination in urban planning in the kingdom. Private muscle determines growth. Master plans bave been pusbed asideby overheated expansion, aod no statistics tell an authority on bow to plan. It is remarkable that nowadays almost everyone receives water when they turn on the tap or flick a switcb for electricity. Perhaps, wben Saudis look at the mess they bave made, Sert Jackson's plans or CH2M-Hill's four year planning project in the Eastern Province conurbation will have a reasonable cbance of approval.

One significant move for the builders of infrastructure was a decision three months ago by the Higher Committee for the Development of Riyadh that no building more than five storeys higb may be started without the permission of the Water and Sewage Department. Only wben it is clear services can be provided would leave be given. It was the first decision of its kind, although time will tell how mucb more effective it may prove than earlier forgotten land use policies.

Riyadh is facing the same problems as Jeddah, the overloading of its sewage treatment plant so acute that in March a construction contract worth SR 241m was let before a consultant had been appointed. Again, a 40,000 cubic metre a day installation is struggling to handle an estimated 1m people.

A parallel can be drawn with the capital's electricity supply situation, although work is in band there that will cover demand in two years. Abdul Aziz Abdul Wahed, the director of the town's Riyadh Electricity Company and Suburbs, has blamed unplanned expansion for slow supply and put growth in consumption at 50 per cent a year, the world's highest rate: The frequent power cuts were so notorious that King Khaled himself complained, and a Royal Decree was issued for a formed to take over the supply of the whole Central Region in 18 months.

Work under way at the moment will give the city a 130 kilo volt, double-power circuit, with the facility of hooking in additional generating stations.

An original generating capacity of 550 megawatts is being increased by 550 megawatts and 800 megawatts, under a 1977 contract with Brown Boveri of Switzerland and a 1979 contract, for 16 50-megawatt oil-fired gas turbines, with General Electric. General Electric won the award as the lowest bidder, at SR 742m, from Mitsubishi and Toshiba of Japan.

Unification of the present hodge-podge of suppliers is the long-term ambition. Although the area of tbe kingdom militates against the establishment of a national grid, plans for the next 25 years, drawn up by the American consultant Cbarles T. Main for the Saudi-United States Joint Commission, eovisage four regional grids to accommodate a 16-fold increase in consumption.

Officials say the first steps are to link Riyadh and the Eastern Provioce and Jeddab and Mecca, the latter due to be completed late oext year.

The private firms supplying Jeddah, Taif, Mecca and Medina are soon to be merged into one company, following the lead of the Saudi Consolidated Electricity Company in the Eastern Province.

Three years ago, wben the area used 920 megawatts supplied by 26 companies so far behind requirements that Hasa had a two-week cut one summer, the company was formed to provide 6,000 megawatts by 1983. Aramco hos the management contract, and it is supplying the fuel from its gas-gathering scheme.

SCECO officials say progress is on schedule; in January, two 400,000 kilowatt generators, with a further two to follow in a SR 2.8bn project, were inaugurated at Ghizlan.

Rural power development is in many ways an easier matter. There the Government's General Electricity Organisation starts from scratch. Four projects commissioned in 1977 came on line this year, in Jizan, Asir, Kharj and Baha. Bids are being examined on a project for Qassim. The 1977 schemes were carried out by Third World companies after allegedly inflated Western bids were cancelled, but the GEO has gone back to the West for the Qassim tender.

Plans for next year include electrification of the areas around Taif, Hail, Jouf, Najran, Bisha and Nammas, but no contractors have been selected. The Taif project will cost SR 100m.

Detailed

On the Red Sea's Tihama plain, British Electricity International, an arm of the regional electricity boards, is carrying out detailed designs on an electrification project.

The statistics show that the projects are paying off. In towns, the kingdom had a generating capacity of 9,435m kWh at the end of 1978, 35 per cent more than the year before. The number of subscribers rose during the same period by 20 per cent to 534,783. Jeddah added 158.8 MW to a capacity of 428.4 MW during the year.

Almost all expansion is financed by the Saudi Industrial Development Fund, which since 1975 has committed SR 18.3bn and disbursed SR 16bn througb its Electric Utilities Loan Department. The Fund estimates power development of the next five years alone to cost SR 45bn.

In addition to that, the Government paid out SR 1bn during 1979 to assure private power companies of a 15 per cent profit. It is not money that is liable to be returned, as electricity costs 8 halallas a unit.

The Saline Water Conversion Corporation, the state agency charged with desalination, is another heavy loss-maker. It calculates the cost of its water at between $1.70 and $2 a gallon, but at the moment gives it away free to municipalities as no pricing formula bas been devised. There are bopes that revenues from water and electricity sales will cover an operating bill of SR 750m in five years, though. The SWCC bas almost SR 25bn in projects completed or under construction, with a further SR 6bn or SR 7bn in work due to be let over the next two years.

SWCC's major achievement has been to supply 38.5m gallons a day towards a demand in Jeddah creeping up to around 45 mgd. Of completed projects, all but the 7.5 mgd Alkhobar I are in the Western Region, and the past year has seen a concentration on supplying the Eastern Province and Riyadh.

SWCC's assumptions of demand suggest that by 1985 the Western Region will consume 194 mgd, Riyadh 239 and the Eastern Province 10 mgd. Work in hand, even with the buge 249 mgd of Jubail II, will barely keep pace.

The past year has seen one significant award, of SR 2bn of construction work on the 50 mgd Akhobar II plant to Kraftwerk Union, Saipem, Babcock and Wilcox and Hyundai, and one major decision. That was in favour of the Riyadh Water Transmission System, a project to pipe 135 mgd of Jubail II sweet water the 466 kilometers to Riyadh that will cost SR 2.1bn. Contracts for the supply of 55,000 tons of steel piping were awarded earlier this year to Japanese, Italian and West German firms, and bids have closed on the construction contract.

Riyadh's consumption is now slightly below 50 mgd, but it is expected at least to double by tbe middle of the decade. The pipeline decision was a recognition that there will eventually be no other choice. Before that, plans for increasing the capital's water supply bad depended on tapping reservoirs of prehistoric water in the area, and there has been some apprehension over depleting resources: the boukh project, which came on stream late last year, involves drilling 1,760 metres below the surface to the Minjur Aquifer while Hofuf wells tapping the Neojene Aquifer are only 10 metres deep.

The largest aquifer project is at Wasia, which stretches to Bahrain from an outcrop 110 kilometres to the east of Riyadb. That project will pump 52m gallons a day to Riyadh from a terminal wbere the water will be mixed with Jubail water, the dilution obviating the necessity for reverse osmosis treatment as the older and nastier water is drawn up.

There is worry about waste, though, and the idea of recycling is gaining currency. In Riyadh, the British Eflo International last year won the Kingdom's first award for a closed system, involving establishing a double plumbing network for 40,000 gallons a day in an apartment block for the British Joint Venture Saudian Try; in Mecca, Ghaith Pharaon's Redec is proposing using two mgd of treated sewage water for the irrigation of farmland.

In Taif, awards are expected in the summer for a dual network designed by the Swedish Vbak to recycle 63,000 gallons a day for non-drinking uses, a quarter of all water used in the town.

The infrastructure of utilities seems only now to be in a position to try to overtake rising demand; while strides have been made, they have followed needs rather than preceding them.

In housing, the most basic needs of a roof over people's heads have been satisfied, but high rents are still a curse and much accommodation is grevlously below standard. Sert Jackson estimates that there are in Jeddah 173,000 housing units, 529 of them palaces, 13,000 villas, 94,600 flats and 51,000 shanties. The figures are deceptive, for a single slum will often house half-a-dozen or more immigrant labourers.

Jeddah has grown to today's million people from the 596,000 shown in the 1975 census. The planners agree that the rate of growth is levelling, but it still leaves a major task for the next five years of improving housing.

Providing a roof is no longer felt urgent in the big cities. In Jeddah, 2,000 flats have been finished at the Jeddah Towers development, although they have been unoccupied for a year while a ministerial committee tries to think who could tolerate living in their concrete wasteland, and the Medina Road rush programme and the Prince Fawaz Co-operative project are under way. Instead, officials of the Ministry of Public Works and Housing say that the next plan will concentrate on low-income bousing in rural areas: in Najran grass huts are common.

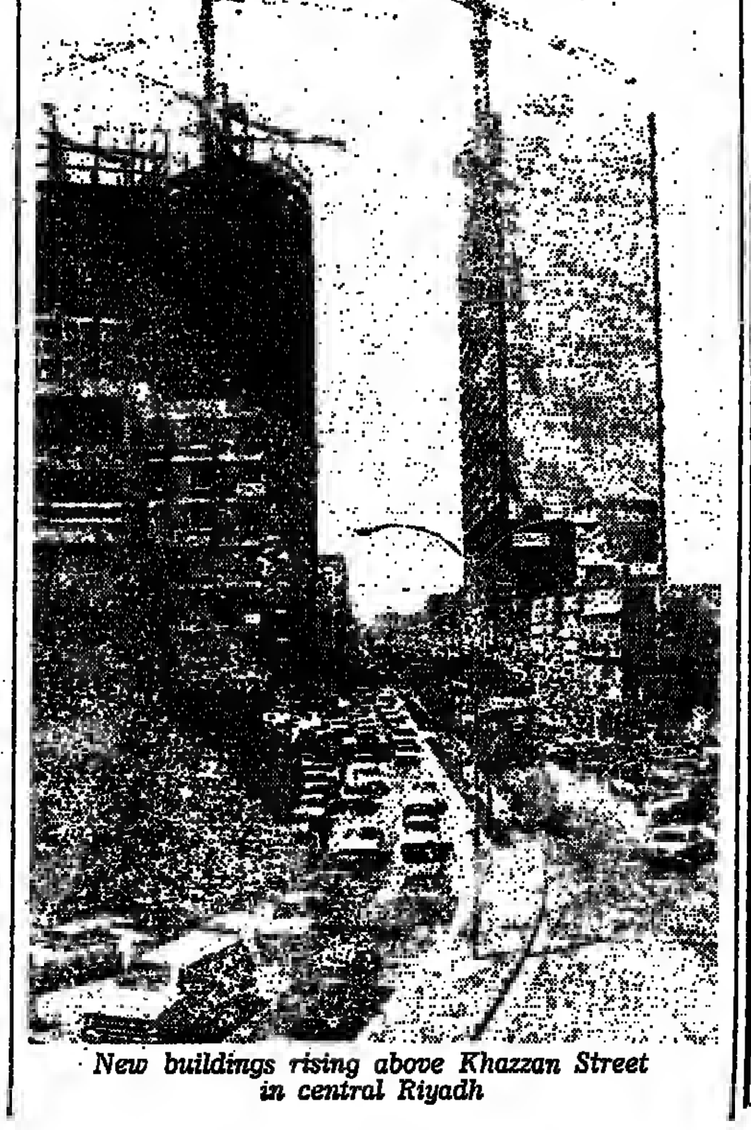
Empty

Construction costs have come down to SR 1,200 and SR 1,400 a square metre, and rents in Jaddah have fallen to SR 25,000 for a four-room flat that would have fetched SR 50,000 a year ago. One estate agents estimates there are 20,000 or 30,000 empty apartments in north Jeddah alone, and To Let signs are frequently seen.

Nevertheless, the inability of young couples to afford a flat is lamented in the Press, and it is a mark of official concern over the socially deleterious effects of the break-up of the extended family that it was recently decided that all future state bousing projects will be of villas rather than apartment blocks.

The poor are still often bomeless, though, and after the Mecca incident late last year Crown Prince Fahd ordered municipalities to speed up land grants to Saudis, a move clearly intended to satisfy dissatisfaction. Possession of land for building allows Saudis to claim Real Estate Development Fund loans of up to SR 300,000 for housebuilding. In Jeddah, 10,000 applications have been lodged for plots on the 12 sq kms of virgin land to which the municipality is now laying services.

The REDF is the main provoker of private construction, its 25-year soft loans having fuelled almost all private development since its establishment in 1975. So far, despite its closure for nine months in 1977 to slacken an inflationary pull, it has committed SR 38.8bn and disbursed SR 31bn. The Fund expects demand for loans to continue at the present rate of 30,000 a year for the next few years.



New buildings rising above Khazzan Street in central Riyadh

The Jeddah Towers, a complex of high-rise buildings, dominate the horizon—they were completed last year and are intended for housing poorer Saudis, but as yet the towers are unoccupied

Workforce depleted by move to the towns

Many farmers still tend very small plots by hand. Here a farmer works on his crop at a village near Riyadh

AGRICULTURE

TIM SISLEY

ENOUGH HEAVY hints have been dropped to make it clear that a significant thrust of the Third Five-Year Plan, which starts next month, will be the devalopment of Saudi Arabia's agricultural potential.

Curiously, despite rural depopulation, inefficient farming, poor land use and a lack of training, agriculture has survived official neglect to turn in a respectable growth rate over the five years of the Second Plan. It could be better, though.

While the average growth rate of 4 per cent in the kingdom's agricultural sector is higber than that of most other developing countries, its share of Saudi Arabia's non-oil gross domestic product has dropped from 12.1 per cent in 1970 to 2.4 per cent in 1978. With perbaps 30 per cent of Saudis engaged in farming, it is clear there is room for improvement.

Much of the trouble is the bright lights of the city. Figures on rural depopulation are elnsive. Ministry of Agriculture and Water statistics record a decline in the proportion of the workforce on the land from 40 per cent in 1970 to 28 per cent in 1975. A recent Government report said that in 1977 agriculture provided a livelihood for 470,000 settled workers and 160,000 bedouin, or 30 per cent of the workforce.'

The same report pointed to a decline in both the total cultivated area and the output of the kingdom's farms. Certainly, the evidence of tbe eyes will persuade tbat people are leaving the countryside to settle in the cinde-block slums that ring the cities. In Jeddah, old bedn women pick garhage from the dustbins of the rich suburbs.

Awareness

Only 0.24 per cent of the country's 220m hectares is under cultivation, a third of the 1.5m to 2m hectares the Government believes capable of being farmed.

Much of the area now under the plough is poorly used, particularly in the sonth-west; as the absence of primogeniture breaks up land into uneconomically small holdings, mecbanisation is not widespread and marketing is so under-developed that there is little awareness of wbat produce can sell.

On top of that there is no system for distributing information to farmers, so there ia a tendency to follow faahion in planting and create gluts that prevent their earning enough to reinvest for efficiency.

A complicated subsidy system works on head of livestock or number of palms, rather than on ontput, so there is an annual surplus of water-melon and dates with a glaring deficit in almost everything else.

The subsidy system has other drawbocks. A flat cash grant assessed on the number of sheep and goats a man owned was abandoned last year. The idea was that the money would go on fodder, but instead the animals were kept at subsistent level and the cash was spent on cars or cassettes. Sadder but wiser, the ministry distributed the feed instead, with stern warnings against selling it off.

Last year, Saudi Arabia imported 4.98m tons of food by aea alone, more than half demand. Sugar, rice, oils and fats are almost entrely imported; less than half total consumption of wheat and flour, milk, meet and eggs are produced locally, according to officials.

It seems that the Government sees the main emphasia of the next Plan in stimulating agriculture more hy the encouragement of agriculture-hased industry rather than by developing farming itself. An industrial zone is planned for Khamis Mushait, to rely on industry that will be fed by the terraced farms of the area. They apeak of correcting the stress of development on the cities through redirecting infracstructural investment rather than of directly improving farming.

But things are nevertheless moving, long patient work beginning to bear fruit. Much of that is in the efforts of foreign research teams, sent into areas to expand production at the same time as instructing local farmers.

In Hofuf, the University of North Wales last year finished eight years of extending cultivated area, developing local breeds of cattle and sheep and settling a heard of Friesians.

Two 50-hectare demonstration areas were established on virgin land, one for milk and the other for forage crops, both costed so the local Saudis could appreciate the henefits of scientific farming. Success was reported.

In Hasa, where over the past 15 years half the arahle land has been abandoned as leacbing encrusts the soil with salt and the wind covers it in sand, a mission of 33 Taiwanese is doing the same thing with vegetables.

Much of the training is a matter of teaching local farmers to ad dclay to their soil to help it hold water, to grow tomatoes on poles or not to pull garlic out by the roota, but their research work has longer-term effects. A bybrid local and Taiwanese rice can be harvested three times a aeason and leave room for wheat, long an ambition of officials.

Present plana envisage Saudi Arahia being self-sufficient in wheat production within the next five years, according to Nasser al-Saleh, director-general of agricultural development in the Ministry of Agriculture and Water.

High volume

Alfalfa ia the second priority. To that end, the Swedish firm Agriconsult, a daughter of VBB and a memher of the SAPP umhrella group, was recently awarded a aix-month study of seed production in the Kingdom, a project worth SR300,000. The study will go towards a moster plan for seed production and processing. The firm will draw up specifications that will be nsed to ensure that the high volume of seeds imported ia suitable for Saudi cultivation.

The award was, Dr. Saleb says, the first of several that will deal with removing other obstacles to agricultural efficiency; as though work at the moment is a matter of preparing for the promised efforts of the next Plan.

Dairy farming is developing more quickly. There has of late been a vogue for private businessmen to establisb recombination plants to feed growing demand for dairy products, but with several large farms finished or near completion tbere are aome signs that fashlon will swing to dairies as property and importing become too crowded for comfort.

Masstock Systems, a British-Irish company, is estahlishing six farms for five princes and one princess in the Nejd and the Eastern Province, with 2,200 cattle of the Holstein strain of Friesian. The now supply Riyadh with 20,000 litres of fresh milk a day.

The average Saudi consumes 0.2 litres a day of milk, or its equivalent in products. Alfa-Laval, of Sweden, is working on a SR150m contract awarded last year to develop a 2,500 bectare farm at Kharj for Prince Muhammad al-Faisal where a produtcion of 50,000 litres a day is planned from 4,000 Holsteins.

Those projects illustrate the cost implications of starting a farm from scratch. Althougb land is given free to projects thought viable, infrastructure costs, including irrigation on integrate dfarms, power, wells and water treatment facilities, will ruo to between SR 45,000 and SR 60,000 for each animal. Then, with as good as all labour imported, running costs are going to be two or three times those of a European or American farm.

That is offset by bigber prices in Saudi Arahla, as well as by significant subsidles. To stimulate wheat output, the State's Grain Silos and Flour Mills Organisation last year announced it would huy all wbeat at SR 3,500 a ton, some four times the European price. At least six large-scale wbeat farms are near final agreement as a result.

Expenses

It was the first uae of the suhsidy as so extreme an encouragement. Until then the Saudi Arahian Agricultural Bank, a state agency, had relied on underpinning operating costs and the expenses of mechanisation. Last year, it dishursed SR 709m in 23,759 ioans, a quarter of that on the purchase of machinery and 18 per cent for irrigation equipment. Subsidies accounted for SR 384m.

Most lending is over five or six years, and there is some grumhling that repayments start to bite at the exact moment a new farm starts turning in a profit. The SAAB is now undergoing reorganiaation under the Saudi-United States Joint Commission, and there is some hope of a more aggressive attitude to lending coming out.

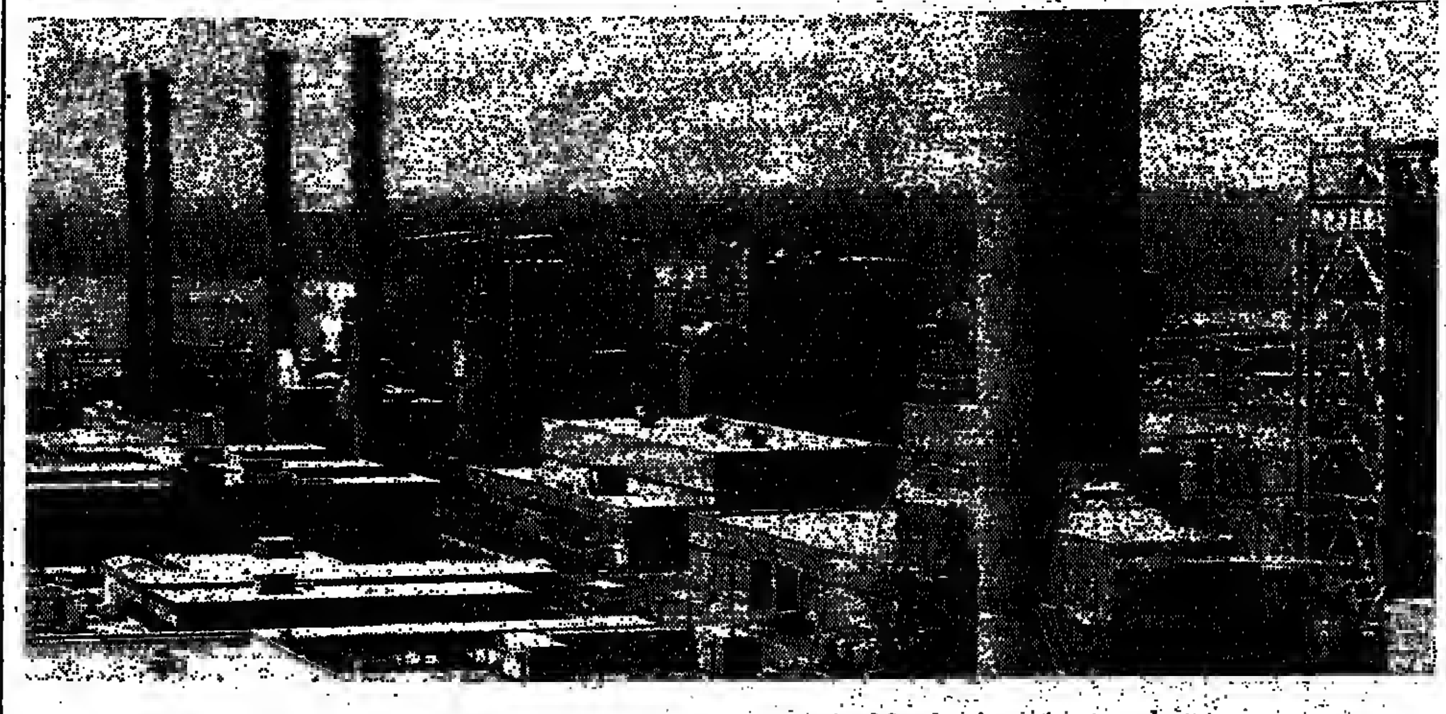
Water remains a constant prohlem. As good as all of the Kingdom'a settled farming is carried out in the high and cool south-west and the oases of the Central Region and Eastern Province, with pockets of activity in the West. What little there is elsewbere depends on unreliable semi-arid rangeland. There was rejoicing at the wintar's rains in Riyadh after two years of drought.

Although 20 of the Kingdom's 33 dams have been built in the past four years, with 13 more under construction, there is still not enough water to go around.

The Ministry has made studies of the major wadis of the southern Tihama and of the huge Wadi Dawassir to determine their potential for use in irrigation of virgin land, and action is expected in the next Plan to release nncultivated land througb such projects.

Nevertheless, even substantial investment will not be likely to go further than stretching the boundaries of land now cultivated. If nothing else, the constraints of the manpower crisis will militate against settling new areas. Efforts are probably going to be concentrated on improving the efficient use of traditional areas.

SAUDI ARABIA XVI



The Jeddah desalination complex: much of the kingdom's water supply depends on this expensive production method

Foreigners carry most of the workload

MANPOWER

TIM SISLEY

IN THE old days, slaves and women did all the work in Saudi Arabia. Their places have been taken by foreigners, equally essential and equally treated as lesser beings. Their hosts are increasingly resentful of their skills and their numbers, but despite a growing xenophobia, there is no sign that the Saudi manpower crisis is doing anything but going from bad to worse.

The most conspicuous failure of the Second Five-Year Development Plan has been in its manpower policies. In 1975 it predicted for 1980 a Saudi labour force of 1,518,000 alongside 812,600 foreigners; although no exact figures are available, officials assume that the present workforce of 2m is 75 per cent foreign. That may be too optimistic.

Not only that, but a high proportion of Saudis are with the Government or in senior managerial positions. Productivity depends on the foreigner, on the Egyptian clerk, the Pakistani building worker, the Thais who man the shiny new factories and the Europeans and Americans who provide the Kingdom's technical expertise. Some argue, too, that increases in productivity are solely owing to increases in the workforce.

Sheikh Hisham Nazer, the Planning Minister, has said that the Third Plan, which begins in May, will decrease the proportion of aliens in the workforce to 55 per cent, cutting down on their numbers but keeping those with skills. The point has now been reached, he says, where either their presence must be reduced or Saudi Arabia's ambitions must be moderated.

Uppermost

The fear is of some undefined social crisis arising from the number of aliens in the country, the apprehension of being swamped leading to some explosion of discontent. It is understood that the presence of large numbers of foreigners was uppermost in the minds of ministers reviewing the Third Plan, and ordinary Saudis share the view: "I don't want to defend foreigners," one recent newspaper column began.

That said, it is probably true that the peak has been passed. A slower market and the appalling difficulties of importing labour have curbed demand in construction and forced greater efficiency. Saudis who chose the Second Plan's extended educational opportunities are coming to work, and the State's demand for labour-intensive infrastructure building is lessening.

Still, the next Plan will emphasise heavy industrialisation and the maintenance of what has been built over the past five years, and it is hard to see how major reductions in imports can be effected. A firm official intention to obstruct would-be importers is bound to pay off, but only at the expense of slower growth.

The question is more how to attract Saudis to the dirty jobs. Most enticements have so far failed. The showpiece vocational training centres have been almost utterly neglected in favour of the glamour of university: in this academic year's intake no one applied for courses in masonry, metalwork or tailoring. This year, 2,230 young men signed on for learning a trade, but there are 15,000 of their fellows at university in the U.S. alone, and the kingdom's six universities filled every single one of their first-year places.

Those who cannot make it to university prefer employment with status: the national airline, Saudia, had 1,650 applicants for this year's intake of 450. For the quite unqualified, there are the taxis and lorries that bring in SR 10,000 a month with little effort.

So far, the Government's attempts to do something about the situation have relied, this being Saudi Arabia, on prohibition rather than encouragement. An order was made recently to ban those under 35 from driving taxis. Contractors now have to lodge bonds for the departure of the workers they bring in that are assessed on a scale rising from SR 100,000 for the first 10 men. It is as hard as ever to overcome Interior Ministry paranoia. A recent Government report tactfully suggested that its "apparent administrative restrictions" might be the sole cause of the shortage of manpower.

Officials, though, argue that public resentment of foreigners is creating significant social pressure on men to do productive work for the public good.

It is not a work ethic that depends on individual ambition, they argue, but one that arises from a national pride. In the Eastern Province, Aramco's 40 years of Westernisation have spread the ethic more widely through society.

Whether that argument is valid is another matter. There are not many signs of many Saudis taking a pride in their work, and few people have ever seen a Saudi artisan. Indeed, the same report spoke of Saudi employers being reluctant to take on other Saudis for fear of inefficiency and unreliability. To counteract that sort of attitude, the Information Ministry regularly urges the Press to inculcate a little more enthusiasm towards development.

The difficulty is that Saudi Arabia is still a tribal society. The people expect the Government to buy their loyalty: once a matter of simply distributing cash, now of an array of soft loans and subsidies. Everyone can do his sums to achieve a rough idea of likely surpluses, and everyone expects a free piece of the action. Thus, fishermen are given SR 10,000 a year to encourage them to stay in business, but instead they buy a Toyota pick-up and head for the city. Real Estate Development Fund loans go on speculation long after the housing boom has deflated; and students go on to the furthest degree in the more agreeable Californian climate.

The State cannot stop giving things away, but it is a clear impediment to developing a productive society. There has been some debate over how the two duties can be reconciled, the arguments for cutting subsidies led by the young Turks who follow Sheikh Hisham, and the next Plan will show if either side has won.

Nevertheless, there will still not be enough Saudis to go around. An inflated and inefficient bureaucracy is a drain on the private sector, attracting graduates with short hours, slothful work, the chance of a dizzying rise and a blind eye turned towards private business interests.

The Public Personnel Bureau last year appointed 12,000 people to the civil service, not enough to fill all the vacancies. A World Bank study has found too many civil service posts reserved for Saudis, and reform has been long promised.

Promoted

Where there are Saudis in the private sector, they are frequently promoted above their heads. Every firm likes to show off having one. Inefficiency results.

So the foreigners continue to carry the load, and relations are increasingly strained. There seems over the past year to have been a drift towards treating non-Saudis worse than before, pinching pennies on salaries or fining them for slight mistakes: it is not an aid to enterprise when a Pakistani clerk faces losing a tenth of his SR3,000 a month salary for not playing safe. At the same time, a growing intolerance is noticeable of Western employees, with the Sub-continent favoured for more pliable managers. Challenges are disagreeable.

Far labourers, there is little sign that any but foreign companies are going to the Far East for more disciplined and efficient manpower. Although the numbers of Filipinos in particular are rising, standing now at 80,000, as against 40,000 two years ago, Saudi businessmen are sticking to the traditional Yemenis, Egyptians and Somalia. They put up with worse conditions.

The largest group of non-Saudis in the country is of Yemenis, rather more than 600,000 on the basis of a Swiss census of North Yemen. They are alone in receiving work permits automatically on arrival, and without the need for a sponsor make up the largest pool of legally mobile labour. Egyptians are thought to follow, with 250,000, Pakistans with 200,000, Lebanese with slightly less than that, and South Koreans with 80,000.

There are some 35,000 Americans and up to 25,000 British. Palestinians are believed to number 30,000 with under half naturalised, although that figure would probably be higher if Lebanese Palestinians are included.

It is difficult for non-Westerners to bring in wives and children, and even with a generous allowance for familes of a worker it appears that estimates of the foreign presence at 1.5m are too generous to the Saudis. So what is to be done?

Drastic action has been promised for the Third Plan, with conscription to fill the undermanned armed forces and a winnowing of the civil service coupled with severe restrictions on university entrance in favour of technical training. With that will go a campaign to burnish the image of the dignity of labour. The question remains whether the Government has the courage to do it.

Nor is it certain that the obvious change can be carried through, allowing women into the workforce. At the moment, they may only be employed as teachers or social workers, or in medicine, conservative pressure having limited King Faisal's liberal 1970 Labour and Workmen Law. A committee from the Council of Ministers is at the moment studying where they can be modestly employed, and Sheikh Hisham says the question is no longer whether or not they should work.

There is certainly a rising demand among women that they be allowed to participate, and with girls starting to come in significant numbers out of an educational systems that is only 20 years old the pressure is not likely to ease. Their men do not like it, as there is a stigma of poverty attached to allowing a wife or daughter to earn a living.

Equally, there is an official commitment to a high birth rate, but the time has passed when there was a choice. The manpower crisis is too severe.

Foreign workers predominate in the construction industry. Here they are working on the construction of a new flyover in the centre of Riyadh

No easy profits for contractors

CONTRACTS

BRYN WILLIAMS

AS THE painful squeeze of recessions is felt throughout the world the oil-producing countries, especially those of the Middle East, continue to present most of the brightest spots for contractors in the industrialised world.

Apart perhaps from inscrutable Iraq, most alluring in terms of money is Sandi Arabia.

The decision may have been taken to restrain spending over the next fiva years in real terms to the level of the past two, but the growth of 7.6 per cent in 1978-79 and 6.8 per cent in 1979-80 was more than most countries could contemplate or afford. Just how much Saudi Arabia dominates the market can be seen from the findings of the survey undertaken by the Middle East Economic Digest.

This weekly journal recorded the award of contracts totalling just over $40bn in 1979, of which Saudi Arabia accounted for $16.7bn, or nearly 42 per cent compared with $5.9bn, or nearly 15 per cent for Iraq. The figures give a fair picture of the scale of Saudi Arabia's on-going development programme.

Precisely because the Kingdom is a large and expanding market (out of all proportion to its small population) competition is as tough and intensive as the attention focussed upon it by world busitness. Following tha furore in 1977 over "inflated bids" and having twice in 1978-79 had to dip into the reserves to finance expenditure, Ministries are as obsessiv aas ever in looking for bargain prices, often seemingly regardless (outside the field of high technology) of wbat is tha best.

Payment delays of a kind that cannot be wbolly attributed to bureaucratic inefficiency have continued, even if not on the scale experienced in 1978-79, with no re-imbursement for the cost of interest on the borrowing incurred. The intensity of the competition and the fact that Saudi Arabia is very much a seller's market has tended to reinforce the proclivity towards driving hard hargains and dictating harsh contract terms. Only the elimination of infrastructural hottle-necks since 1976 has alleviated the rigours of what must be regarded as one of the toughest of markets.

Adding to the difficulties, however, is the growth in importance of the question of "princely prerogatives" — the need to be in league with an agent representing influential members of the Royal Family. On top of the time-consuming and expensive procedures of an official nature involved in tendering and bidding are tha more obscure and murky ones. One should emphasise the paradox that they add significantly to the cost of projects — eliminating the above-board savings to the Government involved in the horse-trading.

Fixed price contracts remain the rule in the public sector with the exception of the projects handled by the U.S. Corps of Engineers and tha Arabian American Oil Company. The elimination of infrastructure bottle-necks and the reduction of inflation rates to reasonable levels has made inflexibility on that score much less of a burden and a hazard. Yet the variables still exist, not the least the dangers of the client insisting on changes of specification.

Harsh penalties

Penalties can be barsh nnder the contract terms imposed. A company falling bebind schedule can expect fines of up to 4 per cent of the valne of supply contracts and 10 per cant of the value of public works contracts unless the delays result from circumstances which are beyond its control—an issue that is invariably the subject of bickering, with all the cards stacked on the Saudi side.

Under the programme envisaged in the Third Five-Year Plan there will be fewer monster turnkey projects and "jumbo contracts," apart from the big industrial joint ventures slated for Yambo and Jnbail. In genaral there will be a shift from basic infrastructure to the productive sectors of industry and agriculture on the one hand, and urban and rural development on tbe other, whila many large projects underway sucb as the telecommunications system and the military cities will continue.

The overall development pie will probably be cut into smaller slices, particularly of a size that local bnsiness can digest. The world of small contracts, tbougb more bumble, is generally less risky. There is now a big premium on companies forming joint ventures with Saudi interests.

The bid bond required by State departments and agencies is still at one per cent compared with the two per ceot demanded some years ago and tbe 5 per cent set by Iraq. Nevertheless, given the delays in the award of many contracts the amount of money tied up unproductively over a long period can be very large. The most natable recent example has been the protracted indecision over the scale and go-ahead for the new University of Riyadh complex for which the lowest bid was no less than $3.4bn—meaning a bid bond of $34m.

Saudi Arabia insists on perforoiance bonds covering 5 per cent of the value of the project, rather than the 10 per ceot demanded by some Arab countries. In keeping with them, the client is sole judge of perfofmance. The Kingdom will not contemplate international or independent arbitration, providing for settlement of disputes only through its own Grievances Council. The unconditional nature of the performance bonds reqnired still causes concern, despite the fact that the Saudi Government is not known to have called in any of significance.

Indeed in the case of the difficulties encountered by some foreign contractors it has shown some patience and concern over the company's attempt to extricate itself from difficulties. With a job that is well underway that makes more sense than calling in a bond.

Advance payemnts of 20 per cent made to belp with mobilisation should be regarded as generous funding arrangements. Like bid bonds, these, quite reasonably, bave to be covered by guarantees. So, too, do bonds required to release retention mnoey or guarantee warraoty obligations for periods longer than the one-year maintenance period considered normal in the West.

Arrangement of guarantees in itself remains a big preoccupation that has hardly been eased by the greater number of banks competing for such business.

The novice without the right connections, whatever his competence and competitiveness, will get nowhere and become lost in the intricate maze of commercial politics, unaware of the traps and pitfalls. The importance of the "right" ageot is perbaps more important than anywhere else and the maximum 5 per cent commission laid down by the Government a few years ago not unexceptional.

Most good agents are hooked solid but not averse to taking on more clients than they can properly handle evn if they are opposition to others in the same stable. Beyond that—source of both confusion and help—there are plenty of foreign consultants offering their services, not the least former diplomats, defence attaches and spite. Those with the right access are a rare breed and few acn help in the more rarified heights.

Under-the-table payments to secure a contract are perbaps the simplest instance of those murkier realms of contracting in Saudi Arabia—tbe money might prove to be both of no avail and unrecoverable, mean the difference between profit and loss, or even be dangerously counter-productive. A South Korean company offered $8m in bribes to one Saudi official to win sub-contracting work on a massive military installation. Their local manager, who was responsible for the approach, was clapped into prison for 30 months—some observers believe because tbe amount was considered insufficiant.

The $250m paid out by one West European contractor to obtain a contract—wbicb it did successfully—failed to save it when its Sandi sponsors were unable to obtain a price increase

Some years ago the Saudi Government set a maximum of 5 per cent commission for ageots and the Crown Prince Fahd stated the regime's intention early in January of eliminating irregular practices that most of the civilised world would regard as corrupt.

The terms of recent "direct" oil agreements with a number of custimers and negotiations on others indicate that little has been done. Commissioos demanded and paid for crude sold by the State-operated Petromin are a relatively new practice as far as crude sales are concerned. The system works roughly as follows: Interested buyers are approacbed by representatives of one or several of a small group of princes with influence at the Royal Court. They are told that the quantity sought can be obtained if a commission is paid over and above the official selling price which is currently $26 per barrel of Arabian Light.

When the level of the "premium" has been negotiated, a directive is sent either by the Royal Court or the Supreme Petroleum Council to Petromin to supply the oil. The State corporation receives the official selling price while the commissions to the Sandi beneficiaries and otber go-betweens are paid into seperate accounts. Commissions of np to $10 per barrel are known to have been asked and as much as $5 believed to have been paid.

This novel practice relates to a specialised field baving nothing to do with contracting. It has, however, highlighted the way the principle of "princely prerogative" works. In the final analysis most major contracts — though not those handled on bebalf of the Saudi Government by Aramco and the U.S. Corporations — are only won in the final analysis wben a commission has been built into the price finally negotiated.

In deciding the outcome of a tender the crucial factor is the agent's connection with a powerful price or Minister or official — usually a combination of all three wbo will enjoy a commission that can vary from 5 per cent to 25 per cent, though some have been as much as 33 per cent. In the big league only a dozen or two princes obtain the lion's share of the pie, including a young coterie with close blood connections with the top ruling hierarchy.

Uneasy combination of styles

ARCHITECTURE

JOHN CLOSE

NEVER HAS there been such a thing as Saudi architecture—a lack of identity not surprising in a country united only this century.

Arabian architecture of the 1970s is an uneasy combination of Fouad Quatorze and Marbella Modern. From the red-brick viscera of the balf-finisbed buildings that litter all Eaudi cities, to the grandiose follies in the ricb quarters, there is a sense of groping, of dislocation, amid unfathomable wealth and squalor.

To not a few Saudi architects and clients, wbo see the vacuum filled by shoddy manifestations of greed and bizarre expressions of adolescent taste, is it becoming offensive. This small but growing gronp is slowly trying to give form to its splintered environment. If there is no solution as yet, tha problem has at least been recognised.

A regional vernacular still exists. In the Asir, the lovely south-western province, the bouses and watch-towers that remain were built of clay with projecting rings of slates to protect the walls from rain, more plentiful in this region than anywhere else in tha country.

Enlivened by daubs of bright blues, greens and yellows and pointed at the four corners, the bouses, with stahles on the ground level and upper storeys for the family, grew in beight as the generations proliferated, keeping the clan under ona roof and preserving scarce farmland.

Farther south, in Najran, the land is dotted with wattle and dauh huts, conical hives remarkably similar to those of Africa. The tiny villages are surrounded by a network of low, dark mud walls which act as fences and as dykes when the wadis are in spate.

In the Nejd, virtually all that remains of indigenous architecture ara the ruins of Darriyah, the family seat of the Al Saud.

Squatters hang their laundry, now, from the topless towers of pale yellow mnd. Rain and wind have filled in many of the roofless buildings, until the floors reach to the triangular ceiling windows, just beneath the chipped and broken crenallated ramparts. Within sight of Darriyah are the massive concrete housing blocks of Riyadh University's new and empty campus.

In the cities of the Hejaz, forlorn houses and palaces of coral rag still maintain a tenuous hold. In these, the high windows were fronted with small porches of mashribiyyah, or wooden lattice work, which caught the cool, upper air and repelled prying eyes.

Clustered together in a complex patern, the bouses formed a city turned in upon itself, away from the sun and the wind and the stranger.

In one of the old city of Jeddah's cul de sacs of startling quiet, stands the Banaja house, the courtyard of which is entered from a short alley off the Suq al Nada.

It is classical Hejazi architecture of the late 19th century. A rectangle four storeys high of darkly stained wood, the house is actually a group of self-contained flats reached by spiral staircases, with exposed wooden ceiling beams and sbuttered widnows all poening on to the courtyard beneath.

The complex is linked hy covered passages and enclosed wooden bridges. Viewed from the courtyard, still sbaded by a single tree, the facade gives no clue to the existence of at least 20 levels, each covered by a small, flat roof.

Th eastern side of the rectangle is a serles of drawing rooms, ending at the north corner in a large reception room. The majlis, a long, narrow ball in which the pater familias would hold court, is balf roofless, the covered end running to an authentic Islamic arch. Famous for its direct access to the Mosque next door, which is sitll freqnented, the bouse has an integrity of design Saudi architecture has yet to live up to.

Though Saudi Arabia has all but left hehind the era when regional buildings were designed and built by those who lived in them, architecture here has not yet come to terms with itself. Arabian architecture today is similar in approach to that of the Mannerists of the post-Rennaissance; it is a process of arranging, rather than creating, a use of established styles in rather eccentric recapitulation.

Mere effect

Motives which were once functional, as well as decorative, have been pasted on to buildings for effect. The office of the Western Region of the Ministry of Planning has a facade of graceful, pointed arches which only from the inside of the offices are seen for what they are: ornaments which no longer support the building but, wbich, unlike the arches of the Doges' Palace, are not even an integral part of the structure and therefore lack the honesty of the Venetian facade.

Western and now some Saudi architects find such "Islamic" arches infuriating. Much as in the 19th century, when universallv admired old huildings were copied, architecture bere has so far been reduced to borrowing from what has gone before in a way that both demeans the past and exposes the present for a fraud.

Even flyovers have "Islamic" arches.

The dilemma, then, for the architect bere is how to avoid the thoughtless and the bland, which blanket Saudi cityscapes, while at

while at the same time holding ont against the ill-conceived plagiarism to which it has proved all too easy to succumb. The answer, says Mr. Zuhair Fayez, a young Saudi graduate of the Universities of Colorado and Michigan, lies in what he calls "client education."

"Cosmetics are useless," Mr. Fayez asserts, "ut explaining to a client that Islamic architecture evolved because of functional reasons and that therefore to use it for its own sake is idiotic—well, that is the most difficult part of my job."

Add to that the delicate negotiations that only occasionally divert his clients from malachite washbasins, gold-plated taps, motorised curtains and fluorescent lavatories, and the task of designing a house of which he is not to be ashamed when it is finished, is a difficult one indeed.

"Everyone is a frustrated architect,' Mr. Fayez says; "but Saudis wbo bave travelled or wbo bave stayed home watching videos want to indulge themselves. But I can't be just a mouthpiece for a client. I have to bring my training to bear because I'm selling not only my time but my imagination."

In designing private houses, Mr. Fayez often uses a modified "open plan," much favoured by Baroque arcbitects and later Frank Lloyd Wright, in which each room mergers into the next and is given its own identity by projecting planes and beavy, interrupting structures.

Fayez enjoys designing private houses—"when a minister or a prince calls up and asks me to hulld him a house, what can yon do? It is an honour."

But, as in everything else, it is the Government which provides the easiest and most lncrative contracts. His Youth Welfare bnilding in Abba is virtually a reprodnction of an Asiri farmhouse, with snch modern appendages as vast glass windows. His administration building at Jubail is a more subtle rendltion of Nejdi architecture. It has the beavy, impentrable air of a desert fortress much like some of Alvar Aaltos buildings at the Massachusetts Institute of Technology.

If it is the Government that generates most of the bnsiness, then it is the Government that must shoulder the blama for much that bas gone wrong. Jeddah Towers—which one Saudi architect called a "mistake"—is a series of 32, 17-storey hlocks standing empty hecause a ministerial committee cannot decide who to put in them. If there was a Le Corbusier, who said hefore beginning bis Pessac housing development, "I want to do something poetic," he was ignored at Jedadb Towers.

Good progress achieved

TRANSPORT

TIM SISLEY

THE FUNDAMENTAL physical infrastructure of transport in Saudi Arabia is complete. The roads may have holes in them, but goods and people can be moved with a high degree of efficiency. Work on road, rail and port development in the Kingdom is now a matter of consolidating, of building on the solid progress of the past five years.

The Third Five-Year Development Plan, though, which begins next month, could promise changes of emphasis. While all but the smallest centres are now served by some kind of road, maintenance and improvement are still needed; while the kingdom's 89 working berths can handle the present volume of imports, any increase above that projected would be a severe strain; and officials speak of a railway network to cover the whole country being studied over the next few years.

The most dramatic achievement perhaps of the whole of the Second Plan, and perhaps its saviour from collapse in the old overheated days, must be in port expansion. Over the past three years, the voluma of sea-borne imports to the kingdom more than doubled to the 24.3m tons of last year.

The Second Plan, in 1975, predicted 13m tons of ganeral cargo imports by this year; chaos was only averted by a massive building programme, but even so Jeddah, Saudi Arabia's largest port, worked at 85 per cent occupancy during the year, each of its 37 herths handling 1,208 tons a day.

Port expansion

Muhammad Bakr, the director-general of the Saudi Ports Authority, says that 10 new berths will be needed for the Western Region during the next Plan, tha only major expansion be will predict, to handle Jeddah's share of an anticipated growth in traffic across the country of 10 per cent a yaar.

At Damman, the second port, Sulaiman al-Muhanna, the director-general, says occupancy is running at between 60 and 70 per cent, and no significaot expansion is planned. Otherwise, the talk is of container terminals for Yanbu and Jizan, land reclamation in Jeddah or a marine workshop in Damman: tying up the loose ends, in other words.

The high occupancy rate, though, is evidence to support those who argue for more capacity in the still unresolved debaet over where a safety margin becomes a surplus. The British consultants Peat, Marwick and Mitchell have predicted a 30 per cent surplus capacity in the Kingdom's ports by 1982, but the Hanseatic Port System and Planco Consulting of West Germany have spoken of an overall shortage between next year and 1984 if no further facilities beyond those already under construction are built.

Mnch will depend on the Third Plan's allowances for continued growth, but all the indications are that there will be no slowing of imports. Mr. Bakr says satellite ports are under consideration for Jeddah; smaller harbours to take some of the load off. It is a proposal that bas already both worked and failed.

The Ministry of Defence and Aviation bas a port at Sharma on the Red Sea for the Tahuk cantonment and at Ras Mishab on the Gulf for the King Khaled Military City, near the Iraqi border, both installations that do indeed spread the load.

But the Ministry of Public Works and Housing's 10-berth ports at Qadima, north of Jeddah, and Ras al-Gbar on the Gulf, have stood idle for 17 months. Built to serve the Jeddah and Dammam rush housing projects and to take the heat out of its building materials market, by the time they were ready Jedadb and Dammam bad rid themselves of congestion.

That, though, is not stopping the kingdom going ahead with an entirely new port of arguable economic justification. It is to be at Ras Abu Khomis, on the eastern side of the Qatari Peninsula, an area whose disputed ownership with the United Arab Emirates has recently been settled in the kingdom's favour. The port is simply to stake an economic claim, as evidence of ownership. The SPA refuses comment, but it is understod design work is under way.

The most remarkable development of the past year has been the emergence of Jizan, on the Red Sea, which during 1979 handled two times more imports, 1.05m tons, than during the year before, supplying the growth of the impoverished south. Dumez of France finished a SR417m contract to clear the channel and build two 340 metre berths, and Archirodon was given a SR 200m award to add eight berths to the existing three.

Both Juhail and Yanhu last year broke the back of their own construction to move into carrying imports for the development of the two planned industrial cities. At Yanbu, wher a capacity of 2.7m tons a year is planned three of the eventual seven herths of the commercial harhour are finished. The prices of imported goods have started to come down in Medina as a result. At Juhail, where SR 9.1bn has been spent in the past two years, nine deep water berths, the open sea tanker terminal and the six metre quay in the industrial harhour were handed over. The port now has a capacity of 1.5m toos a year, creeping up towards the planned 5.3m.

With construction as good as out of the way, there is now an emphasis on finishing touches: the SPA las year commissioned Siemens of West Germany to instal a computer control system linking Jeddah, Dammam and its headquarters in Riyadh, a venture paradoxically spoken of as a move towarsd more autonomy for each port; a joimt venture of Geotek and an Alireza company is charting the Red Sea for the first time since 1876; and a programme has hegun to establish beacons on Red Sea Reefs.

The question of self-financing for the kingdom's ports seems to bave been shelved for the moment. In the present financial year, the SPA was giveo SR 46bn for capital expenditure and SR 2bn for recurrent costs. Both amounts are less than the year before, but there is clearly going to be little prospect of recovering capital spending.

Mr. Bakr speaks of self-financing as a long-term goal, but although revenues at individual ports are steadily closing the gap with operating xpenses they are still nowhere near balf. Instead, officials speak of providing a service, and it can be assumed that subsidies will continue indefinitely, with few cash constraints on expansion.

Roads, equally, have done well out of the Second Plan. Sheikh Hussein Mansouri, the Minister of Communications, says that 72 per cent of the target in metalled roads has been met, with 9,400 km built, and 149 per cent of the target of unpaved road, 15,624 km laid. That gives the Kingdom 20,869 km of tarmac roads and 22,306 of dirt road.

It is likely that, by the end of the Plan, contracts will have been let to make up on paper much of the shortfall in metalled road.

The emphasis on dirt roads is clearly owing simply to cost considerations; the ministry is charged with linking the remoter places of the kingdom as much as with highways, and the most recent official guidelines of SR 1m for every kilometre of asphalt are probably out-of-date by now.

Over the past 18 months there bas been a concentration on three major areas of road construction, with a pattern of the major contracts let involving connecting the villages of the south-west, linking the Eastern Province and the Central Region, and pressing on with the Trans-Arabian Highway from Riyadh to Jeddah via Taif. The northern Qassim region bas been favoured, too.

A good deal of work under way in the south-west is more a matter of starting from scratch rather than building on existing tracks. The Binladen road from Taif to Abha, mainly finished two years ago, opened up the south to development, and aince then the largest contracts bave gone to connecting the coastal plan to the towns on the escarpmant.

The Trans-Arabian Highway will be mainly completed this summer, and attention is turning to the Riyadb ring road into which it will feed. Five Saudi companies were recently awarded 90 km of the northern section, and designs are nearly complete on the southern. In March, a contract was awarded a joint venture of the Greek Edok-Eter and Jax of Riyadh, worth SR 150m, for two bridges 800 metres high and 50 metres long to sweep the highway off the Tuwaiq escarpment outside Riyadh.

The last 18 months have seen, too, a confirmation of official preference for the Saudi contractor in all but the most specialised road construction. At the beginning of the Plan almost every award went to foreign firms, but the spate of recent contracts suggests officials had been waiting for Saudis to grow sufficiently to handle the work: it may not be cheaper, but at least the money stays at home.

Saudi Arabia's only railway, from Riyadh to Dammam, remains a negligihle part of the Kingdom's infrastructure. Nevertheless, Mohieddin Kayyal, the deputy minister of communications for transport, bas said that the next Plan will allow studies of a comprehensive network for the Kingdom.

The West German Dorsch Consult and Deutsche Bundesbahn were recently awarded the long-delayed feasibility study on recommissioning the Hejaz Railway from Damascus to Medina, possibly on a new ronte down the Red Sea coast.

The promise of great things in Saudi railways has often ended in disappointment, but on the one existing line efforts are going ahead to attract both freight and passengers. At the moment it only moves 3,500 tons a day. Heilmann und Littman, of West Germany, are nearing completion of a SR 230m contract to build a dry port in Riyadh for direct delivery from Dammam Port; Technital of Italy is studying a high-speed line to replace the present track and cutting 100 kms off the aeven-hour trip; Archirodon is working on a SR 300m award to improve and correct the existing line; and a hotel complex will be going to tender shortly for a new Dammam station. Late last year the line took delivery of Swiss air-conditioned coaches, and 150 cement cars have recently been ordered.

Plan to extend network throughout the kingdom

TELECOMMUNICATIONS

ANDREW WEBB

THE COST and scope of telecommunications in Saudi Arabia are numbing. Bitter competition between rival Saudi agents, their princely patrons and the consortia in contention and cumbersone bureacracy only make it more complex.

A consortium of Philips, Bell Canada and L. M. Ericsson is installing 470,000 new telephone lines under a $3.1bn contract, awarded in December, 1977. In the Third Five-Year Plan, to be announced in May, SR18 bn bas been budgeted for telecommunications.

The Ministry of Post, Telephone and Telegraph plans to expand the telephone network by an additional 1,325,000 lines to accommodate the industrial cities of Jubail and Yanbu and blanket the vast interior of the country.

The award of the contract for the initial telephone expansion project was a controversial affair. Finally hudgeted at $31.1bn, it is tha Kingdom's most expensive project by far, outside sucb extra-bndgetary ventures as the military cities, the gas-gathering project and Jubail and Yanbu industrial complexes with their enormous infrastructure prohlems.

On December 13, 1977, Saudi Arahia announced that the Philips consortium had won the contract after that Mr. Alawi Darwisb Kayyal, the Minister of PTT—called "tough competition" from the American firms of International Telepbone and Telegraph and Western Electric.

The announcement came a day before Mr. Cyrus Vance, U.S. Secretary of State, was to arrive in Riyadh, possibly to do some last-minute lobbying for the American companies. The contract would, in itself, have gone a long way toward redressing the U.S. trade deficit.

Lowest bid

It appeared that the contract had simply gone to the lowest bidder. The group led by ITT bid $3.4bn, Western Electric, $2.9bn and the Philips group, $2.2bn.

The contract was broken into three parts, each requiring separate bids. For supplying equipment to Saudi Arabia's cities—part one of the project—ITT wa sthe low bidder with $1.25 bn. Fo rpart two, covering the countryside, ITT bid $200m; Western Electric, $231m; and Philips, $248m.

It was the bids for part three, the provision of operation and maintenance of the system for the next five years or until local labour and management could be recruited and trained, that caused such concern at the time. ITT bid close to $2bn, Western Electric submitted a tender of $1.2bn and Bell Canada of the Philips group bid $467m.

How thoroughly Bell Canada took acount of the cost of vehicles and buildings is still not clear. The estimate seemed to concentrate mainly on management and lahour. In any case, it now expects payments for its section of tha project of $1.1bn, in itself perhaps conservative. The whole business seemed, at least, to illustrate the difficulties and confusions involved in tendering for big Saudi contracts.

The consortium was not long in encountering difficulties, though these did not stop the award last summer of new work worth a further $805m for the installation of another 500,000 lines. The speed with which the joint venture has been working has won it the praise of Saudi officials, if not the less-easily pleased editorial writers in the Saudi Press.

In the 18 months after the contract was finally signed in Januanry, 1978, the joint venture installed switching capacity for 188,000 subscribers. Saudi Telephone, the company formed to operate the network, is now managing 250,000 working telephone lines, virtually double the total two years ago. The monthly rate for installation of working lines is approaching 10,000. In January, aone, over 9,000 lines were installed, and since the consortium began work, over 200,00 buried service wires bave been pnt in place.

It bas not been an easy job. Visas for Dong Ah's 6,500 labourers, the South Korean subcontractor, whose cheap labour was no mean factor in the winning of the contract, were slow in coming; street maps are almost non-existent, and municipality approval for digging has not always Nevertheless, in June last year, 17 switching centres were simultaneously cut over in 13 locations, completing the first phase of the expansion.

The 470,000 new lines will be handled by 90 local exchanges, 11 trunk switching centres and three international exchanges. All this will be connected by high-capacity cable and microwave links and 14 ground satellite stations.

Western Electric and Rockwel lhave completed the microwave system under a $400m contract. Saudi Telephone bas assumed control of the microwave, coaxial and vertical and horizontal cable stations in Jeddah and Taif.

Western Electric, among other firms, is eagerly awaiting news of further expansion plans. The project as it oow stands will take Sandi Arabia's telephone density up to less than 10 telepbones for every 100 people, well below the world average of 14.5. The new work may be offered in a series of phased tenders, the reason for Western Electric's renewed hopes.

In all this, the telex system is not being ignored. Forbidden in Saudi Arabia for security reasons, until as late as 1973, when a service was set up with 50 manually connected lines in Jeddah, the network is to be expanded to 15,000 lines under a contract worth $13.4m awarded to the General Technical Division of Haji Abdullah Alireza. Tha equipment is being supplied by the Fredericks Electronics Corporation of Maryland.

Not to bet left out as well are the Interior Ministry, a system for wbich is now nnder construction, and the National Guard, which awarded a five-year $826m contract to the British firm of Cable and Wireless for a microwave network.

To reach across the Red Sea to Sudan, Saudi Arabia recently opened a $8.2m microwave staion in Taif to connect the kingdom to Port Sudan. The station is powered by solar energy with emergency geoerators on standby.

Gilding the lily of telecommunications is the plan for an Arab satellite, a project mired at the moment in inter-Arab politics and unforeseen expenses. It may dwarf all else.

When British Aerospace brought its bid for the construction of the Arab League satellite to the hesdquarters of the Arab Satellite Communication Organisation (Arabsat) in Riyadh, it had to charter a jet to carry the one-and-a-balf tonnes of documents. Arabsat, in which Sandi Arabia has a 26 per cent share of the $100m capital, baa accepted tenders for thet satellite and expects to have an orbiting communications system in place in three years. There are several daunting problems which may delay the launch beyond 1983.

Saudi Arabia, the largest single contributor to the project (which has been around for at least ten years) was once toying with the idea of paying for, and therefore owning, the system on its own. It might have proved simpler.

The contract for construction of the satellite was scheduled to bave been awarded by now. Two bidders are in the running: a French and British consortium of British Aerospace, the main contractor, Matra and Thompson-CSF; and the American Hughes Aircraft Corporation.

Hughes, bowever, is blacklisted under the Arab League's boycott of Israel and, though under terms of the boycott some talecommunications work is excluded, this is proving a major stumbling block. The statute of Arabsat requires the award of the contraet after competitive bidding. Without Hnghes, this would clearly not be the case.

Arabsat is also understood to be baulking at the size of British Aerospace's bid, significantly bigher than it had budgeted. Tha organisation bad hoped to launch its satellite for tens of millions of dollars but, with the specifications it demanded, this has proved impossible.

Yet another problem is the planned use by the Anglo-French consortium of blacklisted Hughes components.

If the satellite is to go up in 1983 as planned, using either the U.S. Space Shnttle or the European Ariane rocket, there is no time to call new tenders. The removal of Hughes from the boycott list would satisfy the terms of Arabsat's constitution but this, even in the unlikely event of its proving palatable to the Arab League, would at the very least take time.

The suspension of Egypt, the most populous country and hence the one which would bave benefited the most from the satellite, has complicated the venture still further.

The deadline for the bids was in early January, but delegates to the evaluation committee were unable to resolve the difficulties and the project is now to be reviewed at a meeting in April in Morocco at ministerial level.

Rapid expansion by airline

The new airport at Abha in the Asir region. Flying is often the cheapest form of travel in this vast country

AVIATION

ANTHONY McDERMOTT

SAUDI ARABIA'S size and its unevenly-distributed and sparse population have made it imperative to develop a national airlina with extensive domestic links. For, transposed on to a map of Europe, Sandi Arabia would roughly stretch from France to the borders of the Soviet Union.

Communication problems are further accentuated by the fact that, given even the most generous estimates of the population, it would total less than one-thirtieth of those of tha countries involved in this comparison.

Saudia, the national airline, has been successful in responding to the challenge of rapidly expanding its operations. It has become something of a world celebrity, partly througb being one of tbe sponsors of the Grand Prix Saudia-Williams racing team.

Within the Kingdom, the airline provides easy, and extensive, transport. For example, the most expensive, one-way flight between Riyadh, the capital, and Jeddah is currently Rs 210 ($63), and between Jeddah and Dhahran Sr 300 ($90). As a result, Sandia loses money, but in the overall interests of providing a socially and politically unifying aervice for the Kingdom. It is the result af a conscioua Government decision.

In 1975, a 25 per cent cutback in fares waa imposed. In practice, the subsidy is now probably bigher. Saudia bas, in fact, became a popular national institution, with its arrival in some of the more outlying parts of the country literally greeted with applause on the ground.

In practical terms, the now well-establisbed shuttle between tha three main centres bas become an easy affair, except at peak hours. But first class booking (wbich ensures a seat) is more often than not sold out before economy.

Saudia, in the kingdom's aviation strategy, bas predictably received most of the accolades. It can boast of being number 11 in the ranking of the top 20 nations in traffic growth, as estimated by the Association (IATA).

At the same time, the Ministry of Defence and Aviation, which is ultimately responsible for Saudia's operations, has been overseeing a programme of expansion and improvement of airports, so it now serves some 19 airports within Saudi Arabia. This includes the three mai ninternational airports of Jeddah, Riyadh, and Dhahran.

In terms of numbers, Saudia's growth bas been impressive and far exceeded the targets of the Second Development Plan. In 1945, it entered the field with three DC-3s, one of wbich was presented by U.S. President F. D. Roosevelt as a symbol of Saudi-American friendsbip.

Today, it operates 63 aircraft. It became a member of IATA in 1967. The number of passengers carried bas risen more than tenfold—from 680.923 in 1971 to 7,964,347 last year.

Saudia's Planning and Research Office reckons that this number could rise to 9.04m this year. This could even be an underestimate given that passenger traffic in January this year was up by nearly 24 per cent, compared with the similar period in 1979. Freight (mainly imports) rose over the 1971-79 period rose from 6,279,000 kilos to 62,516,610 kilos.

The number of employees has risen fourfold, from 4,107 to 16,000, of wbom 18 per cent are Saudi.

Expansion

In greater detail of Saudia's flight deck crew of 668, 313 are Saudis. Sbeikh Kamil Sindi, the former director-general of the airline, maintains that "Saudia bas been able to 'nationalise' its operations with higbly-qualified Saudis, who now run the major divisions."

But this rate of expansion bas had to slow down, or at least be brought under closer surveillance. To cope with administrative complications, Sbeikh Kamil Sindi bas been promoted to the position of assistant with ministerial rank to the Minister of Defence and Aviation to strengthen the strengthen the supervision of aviation activities. His place has been taken by Captain Ahmed Mattar.

Saudia's cbarter was altered in January to permit greater delegation of authority from the ministry itself to Saudia's board of directors.

On Saudia's role, Captain Mattar says that the airline's role initially was to expand with the development boom.

"In the past years," he says, "we put our forecast as baving to meet 30 per cent expansion rate, but we have been having to cope with something like 60 per cent."

In the past, the development of Saudia's fleet was based on market demands, whicb according to Captain Mattar have been exceeded. But in future, he says, "it will he dictated not just by the market, but be careful planning."

At present, Saudia's active fleet consists of 50 aircraft, fuly owned (including one 747, 13 L-1011 "TriStars," eight 707s, and twenty 737s), and a further 13 on lease (including five 747s, one 707 and three DC-8s). Another eleven aircraft are on order: five "TriStars," four of whicb are to be delivered this year, and one next; and six 747s to be delivered in 1981.

Because Saudia's domestic operations are well-subsidised and constitute between 60 and 70 per cent of all its operations, it has only made a profit between 1973 and 1975. In the years from 1976 to 1978, annual net losses have averaged 161m riyals ($48.3m). For almost a year it has been under study that Saudia should be divided into two parts—one for international operations and the other for domestic.

But Captain Mattar makes the point that a major constraint on both expansion at the rate of the last few years and on any real advantage in creating two airlines is the difficulty in obtaining sufficient administrative and tecbnical staff. This applies particularly in providing back-up for domestic operations. As well as flying to 19 destinations in all parts of the Kingdom from Turaif on the nortbern border with Jordan, to Jizan near North Yemen, Saudia flies to 18 other destinations in the Arab world (including Cairo, in spite of the boycott as a result of Egypt's peace treaty with Israel), 11 each in Europe and Asia, and most recently flights to Mogadishu, Nairobi and Dacca started this month.

There is also a direct flight from Dbahran to New York on a 50:50 sharing basis, using a 747-SP belonging to PanAm. One of these same aircraft has been specially purchased for a Jeddah-New York service. Saudia also runs a cargo service 14 times a week to Europe. In 1978 revenue was SR 2.58bn ($0.77bn), of wbicb 74 per cent came from passengers and 12 per cent from cargo.

To help cope with this expansion, Saudia bas bad, since 1968, an agreement with Trans World Airlines, which Sheikh Kamil Sindi claims has been reduced from a "full-management contract to technical assistance only."

Saudia, in keeping with a reputation inherited from being leading operator in the region, in Marcb, 1979 started operating a sophisticated flight operations training centre in Jeddah, whose costs are estimated at SR 300m ($90.1m). With some pride, Saudia points out that not just Saudi but also Western pilots are brought in for training.

For maintenance — and Saudi Arabia's harsb climate poses special problems such as airframe corrosion in Jeddah's bot line is still largely dependent and humid climate, sand aod dust storms as well as thunderstorms—the airline is still largely dependent on foreign expertise. Nevertheless, it is able to carry out all but the most major overhauls of its fleet. It is a delibreate, if expensive, policy to replace rather than to overhaul faulty components. In 1978, a programme was set up for the training of 400 Saudis a year abroad with the aim than by 1987 nine-tenths of all the maintenance staff being Saudi.

Hand-in-hand with the expansion of Saudia's internal flights has been the construction and development of airports within the kingdom. The two most important projects are the new international airports at Riyadh and Jeddah.

The former, which will cost at present SR 14.5bn ($4.4bn) and is due for completion by 1984, is situated 35 kilometres north of the existing airport which is in the upper part of the city and gradually being engulfed by urban sprawl. The proportions of this airport are such that it supposed to be able to cater for 15m passengers a year— the rate forecast for the year 2,000.

Closer to partial completion is Jeddah airport, which should ultimately — a first pbase should be open next year — be able to cater for 12m passengers a year and for 150,000 tonnes of cargo annually. But the costs of this enormous project have grown, from initially SR 5bn ($1.5bn), to something approaching SR 15bn ($4.5bn) today. When the project is finally completed in six years, its costs could be closed to $10bn.

One key aspect will be the development of a special terminal for Moslems on the pilgrimage to Mecca. Tbe annual pilgrimage throws a particular burden on the Kingdom, and last year a Saudi task force of 100 specialising in the mass movement of travellers spent SR 4.4m ($1.3m) moving hajjis to the boly sites for tthere is no airport at Mecca.

Leasing

The numbers of pilgrims arriving by air bas grown over the years, from 177,000 in 1973-1974 to 480,000 last year. The size of this terminal alone, in Jeddah airport, when finished the largest enclosed space in the world, gives an idea of the proportions of the airport as a wbole. In the first year of operations next year, for example, it is estimated that the new international airport will service more than 7.4m passengers (including 1.5m hajjis). It is to Saudia's credit that in pilgrimage season it has by leasing a fleet of aircraft in 1979 one 747 and three DC-8s and without schedules. Income earned from hajji traffic amounted to 115.5m riyals ($34.7m).

The main point is that, like other areas of Saudi Arabia's infrastructure, rapid expansion bas in the end been achieved in a largely orderly way. Furthermore, the pressure on Saudia is likely to decrease gradually at home as long distance home and rail transport is expanded.

Comfortable trains provide relaxed way to travel

RAILWAYS

ANTHONY McDERMOTT

WHILE THE praises of Saudia, the national airline, are sung elsewbere, it is worthwhile looking at other means of moving round the kingdom, or at least part of it.

To drive, particularly along the drowsy, long-distance stretches is to risk life needlessly, as the wreck-strewn roadsides bear witness. The most sensible alternative—and very cbeap one at that—are the facilities of the Saudi Government Railroad Organisation (SGRRO).

Against the massive size of Sandi Arabia, the SGRRO'a operations are, at present, modest: a single line track of 571 km between Riyadh and the east coast port of Dammam. Nevertheless, for a new and more relaxed look at part of the kingdom — and for the pressed businessman or visitor with nothing to do on a Friday —the trip bas much to recommend it.

Tickets are cbeap. First class for the full journey is SR30 (just over £4), second class SR20.

Tbe difference in the Swiss-made, air-conditioned coaches with piped music is between red-upholstered, spacious airline seats and green-upholstered, comfortable double benches. There is a restaurant car serving a tasty cuisine—indeed, international cuisine—of chicken, chips, rice and sandwiches, wasbed down with Pepsi-Cola and Teem (almost Seven-Up) for about £1 for a full meal.

The carriages are kept scrupulously clean by travelling attendants armed with plastic bags. Authority was provided —at least on the occasion I travelled—by a bulky uniformed man with a label on his chest clearly marked in Arabic and English TRAIN DRIVER, and a tall, thin man identified as TRAIN CONDUCTOR.

The other amenities included a choice between Western and Oriental toilets. And in the final carriage the last rows of seats had been removed and replaced by a large carpet for prayers—a sort of mosque on wheels.

The inevitable question asked by foreigners is how you can explain praying towards Mecca, while on the move. The line heads gently south-east from Riyadh through al-Kharj to Haradh wbere it turns northwards to Dammam, passing through Hofuf and the oil-pipeline crossroads of Abqaiq. So yon might, as it were, be caught praying on the turn. But Islam, being the practical religion it is (and remember prayers are said on aircraft, too) decrees that if a compass is not available to give guidance, then just do your best for Allah is everywhere.

For the journey itself—at present, it takes seven hours but wben plans to build a direct link between Hofuf and Riyadb are carried out is will be down to four—report to the unprepossessing station at Riyadh or the more businesslike one at Dammam an bonr ahead of time. Trains leave Riyadh daily at 08.29 and arrive at 15.36; aod vice versa 09.05 and 16.07.

The stations on the way are more halts than stations—a collection of buildings and shacks made from solid sleepers (balf the track is being relaid. The main contrasts in the scenery are between the whiter silkier tracts of desert occasional palm oases, and the barsber hillocks and escarpments. Outside Riyadh, used cars and industrial waste—mainly piles of tangled iron rods—stretch for miles, making an even starker contrast with tbe desert.

Recognition

And other impressions? The unexpected passing of the train coming in the opposite direction, but temporarily parked in a siding, miles from anywbere, bnt with no flicker of mutual recognition from long robed passengers. But above all, there was the rare opportunity of seeing a whole Saudi family travelling, playing and eatiog togetber. Women may travel if accompanied—in buses they have separate compartments—. In tbis case it was a father and son with several wives and children ranging from the pampered youngest infant, a male, to a daughter, one year away fro mthe veil—already taking over ber social role within the family of looking after the young and old alike.

To do a journey of a similar length in Britain but without the scenic distractions—say, between London and Dumfries in Scotland—would cost you anything between £23.50 and (first class) £56.50.

Economic changes being telescoped

RURAL DEVELOPMENT

BY A CORRESPONDENT

THE FOREIGN visitor to Saudi Arabia rarely bas time to venture beyond the major conurhations of Jeddah, Riyadh and the East Coast.

While pre-occupied with a multitude of business appointments, his vista Is too often limited to the view from the taxi window from the airport to the hotel. It is an ultra-modern scene of bigb-rise buildings and beavy traffic, with little to distinguisb it outwardly from other sucb placse in the world. And yet beyond these cities there lies another Arabia wbere nearly half the total population lives.

This other Arabia — rural Arabia—is still in many respects not greatly different from that encountered by the travellers of the oineteenth century, but it stands today on the hrink of a total transformation.

In contrast to the blg cities, rural Saudi Arahia is still essentially an undeveloped country. Until ahout 10 years ago the oil wealth of the Kingdom had largely passed it hy, and its iohabitants led a very isolated and tradition-hound existence.

Living conditions are, in general, still fairly simple and the average per capita income is relatively low. The great difference between Saudi Arahia and most other developing countries is, of course, the almost limitless Government funds now available. Economic and social development that would elsewhere take a hundred years, is being telescoped into one generation in Saudi Arahia.

For the passing visitor, it is still a land of great interest and heauty hut at th esame time it is also afascinating study of the aims and prohlems of economic development.

The traditional rural life of Saudl Arahia falls, broadly speaking, into one of three main types. There are, firstly, the oasls towns and villages that lie scattered in small bandfuls all over hte country and whose principal llvelihood is the cultivation of date-palm gardens irrigated from wells.

In the shade of these walled gardeos many vegetables are grown and fruit-trees sucb as peaches, pomegranates and llmes—indeed, with the sound of rusbing water ln the background, they have often been llkened to a miniature paradise.

In the south-west provioce of Aslr, one encounters a totally different kind of landscape—mountain villages whicb as a result of a good rainfall are able to practise a much hroader range of agriculture than the oases and are much more densely populated. Until quite recently sucb villages were, even by Arahian standards, extremely isolated and often at feud with one another. To this day their handsoma fortified bouses and towers brood defensively over the terrace fields.

Finally there are the people for whom Arahia is most renowned, tha hedouin trihes, who wander with their camels, goats and sheep throughout the desert pastures of the peninsula. Althougb in most areas a minority, the hedouin have always heen one of the leading influences on Arahian history and maintain a close relationship with the towns within their nomadic circuit.

Garish

The heart of a typical modern country town is dominated by a hroad and noisy street full of Datsun and Toyota pick-ups and along which lie a garish range of shops and sbowrooms that evidence the new prosperity.

Almost without exception, the new towns are depressingly ugly. Behind this modern facade, however, there often lies the older, original town of considerable atmospbere and charm: an organlc town whose towers, arches and lahrynthlne alleyways reflect the growth and history of many generations. Alas, even here the authorities have begun to ruthlessly cut through new roads with bulldozers leaving many old houses with open balf-gutted chambers gaping out over the shining macadam.

Within the horders of Saudi Arabia, particularly in Nejd and Asir, tbere are several tradltions of a fine hut unpretentlous domestic archltecture, usually in mud-hrlck. Some of these tradltions go back ln hlstory for several thousand years; they are to he found on the walls of Assyrian palaces and Nabatean temples.

But hardly anyooe builds ln mud-brick today. New materials, principally concrete and cement blocks, have taken the place of the old and within a decade or so this traditional architecture will almost entirely bave disappeared.

The principal activities of the rural towns these days are government administration and local trade. Modern industry, so prominent a feature of the outskirts of Riyadh, Jeddah and Dammam, play little part here and, apart from cement works and similar building materials projects, there are few factories established in rural areas.

The lack of lahour and the great distances from the principal markets make it unlikely that any significant industrial growth will take placa in the foreseeable future.

Perhaps more important than tbe infrastructural changes in the towns and villages is the agricultural revolution now in progress. Previously water wells were dug to relatively shallow dapths and the oasis villsges used to follow the lines of the great wadi beds and hasins that overlie the easily accessible water.

Today, with modern drilling equipment and diesel pumps, the Saudi farmer is able to tap much deepar levels and can thus irrigate areas that bave hitherto been uncultivated. In districts such as Qasim, the green landscape, that used to be confined to the edges of the oasis, has now spread out into tbe desert in hroad new prairie fields.

These new farms have already had a major impact on Saudi food production especially in such itefms as milk, poultry, eggs and many kinds of basic vegetahles. Most of the large agro-industrial projects are hased on foreign labour and equipment and financed by capital from the big cities but small farmers also have begun to adopt new techlnology and more productive methods.

However, despite generous grants and subsidles, farming in general is still held back by the unattractive level of wholesale purchase prices and a desparate shortage of indigenous labour. The traditional low standin gof manual work in Saudi society has heen exacerbated by the ready availahility of easier and hetter paying johs in other sectors.

Nejdi Bedouin brew up one of the day's many cups of tea

Traditional date palm plantations have been even more drastically affected. One of the saddest sights of modern Arabia is tbe acres upon acres o fdying palm trees standing bare and stunted. Sometimes this is due to a fall in the level of the water tahle hut more often because the owner cannot afford to maintain and harvest his gardens.

Dates, once a staple itam of the Sandi diet, have been reduced to the role of a sweetmeat and priees no longer justify the time and money they require.

For many oases, the existence of water at deeper levels, and therefore alternative farming has provided a further lease of life. For other villages however there Is no sucb outlet and they face slow extinction. Similar circumstances prevail in some of the mountain villages of Asir where in many districts the narrow terraced fields have become uneconomic to work.

One of the most surprising aspects of modern Arabla is how quickly the Bedouin have adopted to the changed conditons.

Today, with their varied fleets of vebicles they are more mobile than ever before and much less subject to the bazards of drought. Moreover, they obtain excellent prices for their fresb meat.

Yet, at the same time, the bedouin families are gradually being sucked more and more into the orbits of the towns in order to benefit from education, health and othar new government services and, overall, their numbers are steadily declining.

Expansion

What is the future of tbese rural areas of Saudi Arabia? In the sbort term they will continue to enjoy the benefit of generous government ald. The basic infrastructure will keep on growing and farming will continue to prosper. However, a number of question marks bang over the longer term.

In tbe first place, it must be asked whether there Is really enough water to allow for continuous agricultural expansion. The new deeper aquifers are of pre-historic origin and therefore Irreplaceabl. It is not known for certain how long they will last. If this water was valued at its full economic replacement cost it is possible that much of the more recent agricultural production would become probibitvely expensive. These aspects are unlikely to be significant for another 10 years or so but cannot be ignored.

An equally serious question mark hangs over the future level of employment in rural areas. Given the relatively small contribution of agriculture to the Gross National Product, the rural population is already greatly in excess of its economic mportance and will continue to decline unless attractive new jobs opportunities are created.

Nowadays young men must go to the big cities if they wisb to pursue a good career—and they rarely return; the villages are increasingly becoming an old man's world. It is obviously in the overall national interest that a balanced population distribution be maintained in this vast country but how this goal is to be achieved is still far from clear.

Some kind of economic decentralisation must be attempted in due course, and a sense of purpose restored to the countryside—for without a new sense of purpose, rural Araba wil die.

Towns and villages growing rapidly

NEJD

FRASER JOHNSON

THE BOUNDARIES of Nejd are not clearcut. At its most restricted definition, the term means the districs of Aared, Washem, Sudayr and Yemamah which closely surround Riyadh.

At its hroadest (which is how we sball understand it), it embraces also Qaseem and Hayel to the North, Aflaj and Wadi Dawasir to the South, and Dawadimi and Khorais to the West and East, respectively.

The Arabic word means a highland or upland area. But, while are area has a mean elevation of some 800 metres, it is only a step in the continuous downward slope of the peninsular which tilts imperceptibly from the Sarawat mountains of western Arabia down to the flats of the Arahian Gulf on the East.

It is essentially a great oarren plateau of pale limestone with occasional intrusions of hare hlack granite hills. Fingers of red sand run througb it from the Nefud sand deserts to the north and the Ruh al Khali to the South.

The spectacular limestone escarpment of Jebel Toweik running from North to South across its length, is its spinal cord. The limestone plateau is everywbere eroded into wadis, which flow for perbaps ten days a year, but more importantly retain sufficient underground water to sustain life and a modest agriculture thtroughout the year.

Palm gardens

For this has always been a predominantly settled land, contrary to popular belief. Walled towns and villages of baked mud were huilt in the valleys, surrounded hy palm gardens undergrown with citrus, pomegranate and fodder vetch.

The smaller namadic population, keeping tbeir berds on the bare pasturelands, supplied the towns with meat, butter and news io trade for daaes, coffee, tobacco and manufactures.

In the half century since tbe kingdom of Saudi Arabia was founded, mucb of this traditional pbysical pattern bas changed. The balance between nomad and townsman has, of course, tilted dramatically and irreversibly in favour of the latter.

The remaining nomads are rapidly urbanising, and are well supplied with motor transport and water trucks; the towns are no longer dependent on them for anything, though Nejdi lamh and mutton is still preferred over imports from Somalia and New Zealand.

Land under cultivation has greatly expanded, with deep-well drilling to tap fossil water aquifiers making irrigation easier and a generous and wide-ranging subsidy programme, making farming financially attractive.

Perhaps the most obvious ehange is in the physlcal appearance of the towns and villages. The distinctive and very charming domestic architecture of Nejd, with patterned mud walls and pointed crenellations, has largely given way to concrete, badly huilt and of no architectural merit.

This change is above all evident in Riyadh, which has grown hugely, while other towns such as Hail, Bureldah and Oneizah, its aquals 50 years ago, have grown relatively little.

Less obvious, but more profound, is the opening of central Arabia to the outside world, wbich bas fundamentally altered Nejdi attitudes. The previous exclusiveness, traditionalism and suspicion of foreigners and things foreign contrasts sharply with the recent eager assimilation of technologicial and material advances and the universal desire of Nejdi yonth to study ahroad.

The physical manifestation of tbis opening-up of the Arabian heartland is in the busy new airports of tbe region and the constantly expanding road network, wbich now joins every village of any substance. It seems impossible tbat less than a century ago Palgrave and Dougbty sbould be the first Europeans to explore this land, and that their lives should have been in constant peril. Or, that as late as the 1940s, every plane wishing to land at Riyadh sbould bave required Ibn Saud's express personal consent.

For this was a land in traditional isolation. None coveted it. The occasional Turkish incursion left little mark, since the Turk had no enduring interest in so barren a land and contented himself with intervening only when a growth in Nejdi fortunes threatened to harm his interests elsewhere, in Hejaz or the lands to the north.

The ruins of Diriyya, the old capital of the Al Saud some miles north of Riyadh, are a witness to one such expedition by Ibrabeem Pasha in 1818.

Tha dominant theme of the political history of Nejd is an internal one of the continuous rivalry hetween the Rasheed of Hail and the Al Saud of Diriyya/Riyadh, a convoluted tale whose outcome the shifting allegiances of the towns of Qaseem and the kaleidoscopic loyalties of the great Bedu tribes made uncertain until the final capture of Hall by King Abdul Aziz in 1921.

From that time until 1934, when the present frontier with Yemen was established, the Saud control of the country was gradually strengthened: and with it the spread of Nejdi manners and Wahhabi beliefs.

The distinctive manners of Nejd are inseperable from the teachings of Wahhabism, which enjoin a strict and puritanical observance of Quranic precepts. The fortunes of Wahhabism and the house of Al Saud have grown and prospered together, the one supporting the other.

CONTINUED ON NEXT PAGE

A street market in the centre of Jeddah. In the background are some of the old Turkish houses, one of the city's few remaining linsk with the past

Cosmopolitan region owing much to Mecca

HEJAZ

JOHN CLOSE

THE HOUSE of Al-Mutlaq once provided bereditary standard-bearers in the Nejdi armies of Abdul Aziz Bin Saud, the founder of the Kingdom of Saudi Arabia. Their descendants now own a flourishing furniture business in the Hejaz, the western region that includes the towns of Mecca and Jeddah.

Yet the population of the Hejaz has never been homogeneous. Since the time of the Prophet, the annual Pilgrimage, slavery and the eastern trade brought a melange of Hadhramis, East and West Africans, Persians, Kurds, Javanese, Indians and northern Arabs to the towns. Recent migrants from Nejd, the ceotral region, including such great names as Juffali and Olayan, bave become as Hejazi as the Jamjoom family from Egypt or the Alirezas of Persia.

The cosmopolitan Hejaz remains distinct from the more austere Nejd, thongb the capital's dress and outward custom have been imposed by the ineal nd political descendants of Abdul Aziz, wbo took the Hejaz in 1924-1925. Yet even oow, only a quarter of Jeddah's million souls are Sandi.

The Hejaz is a broad strip of poor land cramped between the sharp reefs of the Red Sea and a chain of mountains which stretches from Mecca to Aden. It is famed above all for its beat and humidity, which is tempered on the coast by a breeze from the north-west that blows most days of the year.

The old definition of Hejaz, which stretched under the Turks and the Sharifs of Mecca from Aqaba as far south as the tribes of Baha would allow, has been abolished by the Al-Saud; the governorates of Tabuk, Mecca and Medina cover the old region.

Cultivation is slight except in the gardens around the hill town of Taif or the wadis that drain the Hejaz hills. The wadi plantations, worked by black slaves in the time of T. E. Lawrence, have declined with the drift of men to the towns and the expensiva drilling of wells for town water. Instead, what prosperity Hijaz has enjoyed has risen and fallen with the pilgrimage and Jaddah's fortunes as a port of transit and import, first for Mecca and the pilgrims, now for the while kingdom.

Tribal life has declined. There remain, in the extreme north, the Huwaitat and Bani Atiyah, two large clans which were closely allied and shared one another's *dira*, or rangeland; the Juhainah, a tribe that was acquiescent in Turkish rule; the fierce and unreliable Harb, who came to live mostly off pilgrim pickings and the Sharif's subsidy; their blood enemies, the Nejdi Otaibah, whose *dira* often spilled into Hejaz; and the Ghamid and Zahran of the Baha mountains.

Hejaz fell under the Turkisb Ottoman hand in the early years of the 16th century and remained so, but for Wahbabite and Egyptian interruptions in the 19th century, until the collapse of the Porte in 1918. Hejaz was fairly independent, even by the relaxed standards of Turkish rule: the Turkish governor, whose provincial seat was at Mecca, shared power with the Sharifs of Mecca, descended from the Prophet, the two existing side by side much as a British resident and his maharaja.

Conflict

Tribal allegiance was ever divided between the two, while the towns of Mecca and Medina escaped both the Ottoman bead tax and a general muster io 1914.

As Turkish power waned so did the power of their nominee, Shariff Hussein, wax until bis writ extended to the Wadi Bishah in the south, and north to the edge of the Unaizah country. Hussein successfully blocked Ottoman attempts to extend the Hejaz Railway to Mecca to consolidate its control.

British intelligence exploited the Sharif's ambitions and poured nearly £11m in gold into the Sbarif's treasury. Mucb of it went to keep the Harb sweet, but on June 5, 1916, Hussein's sons, Ali and Faisal and Abdullah announced their revolt. Jeddah surrendered 11 days later, followed quickly by Mecca, Yanub, and Taif. Hussein was recognised by Britain and France as King of the Hejaz in December. He assumed the grandiose titla of king of the Arab Nation the next October.

Yet though Lawrence of Arabia belped take the Arab Revolt to Damascus, and Faisal and Abdullah ended up with thrones in the north, Hussein could not resist the growing Wabbabite power in central Arabia. Angered by Hussein's pretensions, and eager for land, Bin Saud unleashed his fanatical Otaibah Ikhwan against a Hejazi expedition in Wadi Turaba on the marcbes of Nejd in 1920. The battlefield is strewn with the bleached bones of Hejazi dead to this day.

In late 1924, the Otaibah butchered the inhabitants of Taif and occupied Mecca peacefully. Jedda bwas left with only its coral walls, a raggle-taggle army of mercenaries and destitutes (called by Hussein "drinkers of the milk war") and a few White Russian aviators to keep the Wahhabites ont.

Abdul Aziz ibn Saud waited, while starvation, disease and exhaustion made the city bereft of 25,)000 people. In a year of misery with Jeddah under siege, ibn Saud found in the Alireza family a fifth column to rival the Algosaibis in Hofuf. Abdullah Alireza kept his post as civil governor throughout the siege but his nepbew Qasim Zainal Alireza was jailed wben an incriminating letter was found in the lines.

In December 1925, Abdullah handed the city over to Abdul Aziz and Ali went into exile. As a gesture of thanks for their support, the Sandi kings permit the Alirezas to appear at the Royal Diwan with their *ghutras*, or head-dresses, folded informally over the bead.

From the beginning, to the sophistication and Wahhabite power was tempered seosibilities of Hejaz. A council of Hejaz notables was formed to advise Faisal, the King's viceroy.

The Society for the Encouragement of Virtue and the Discouragement of Vice, rampant since the 19th century in Nejd, swept into the freewbeeling Hejaz. Sacrilegious tombs were laid low and music, among other heresies, weeded out; but the ban on smoking was lifted for the sake of the Jeddah tobacco merchants. The growing non-Muslim community was allowed to buy alcohol until 1952.

The struggle against Hejazi hedonism has not succeeded. Gone are the days when the Jeddah amusement park doused its lights when Faisal was in the town. Glutted with foreigners, the Western Region bas long been a buffer; the diplomatic corps will remain in Jeddah for the immediate future, rather

With the depression of the 1930s, the pilgrimage failed and Abdul Aziz was obliged to look elsewhere for funds. In 1933, his Finance Minister and factotum, Abdullab Sulaiman, signed an oil concession with Standard Oil of California in Jeddah, for £50,000 in gold down. The Sulaimans are now reputed to be the richest family in Jeddah, but the whole region bas prospered immeasurably since the first oil began to flow in Hasa in 1938.

Jeddah port, which boasted a throughput of just 600,000 tons a year in 1946, now handles cargo of more than 8m tons. Yanbu, whose population of between 4,000 and 5,000 in the early years was beggared by the increasing diversion of the pilgrims to Jeddah, is to have an industrial city of 100,000 people by the end of the decade. Crude oil and NGL pipelines now being laid over the Hejaz range will feed a domestic and export refinery, a petro-chemical complex, an export terminal and a gas fractionation point.

The little roadstead of Rabegh, springboard of the Arab Revolt, is also to have a 250,000 barrels per day refinery, supplied from Yanbu. In the far north, Dboba and the fine Turkish port of Wejb have dona well from the buge project to construct a military city at Tabuk. That town is an important base for armour and the Royal Saudi Air Force.

Mecca and Medina have also expanded rapidly, with a catastrophic impact on the traditional architecture and feeling of the holy towns.

To serve Hejaz and the Pilgrimage, the Government is building a new airport between Jeddah and the Obbor Creek. It will be larger than Manhattan Island, and every Saudi man, woman and child could pass through it in its first year without straining the airport's capacity. Its cost has entered the realm of fantasy, but this certainly will not be less than $10bn at today's prices. Its Hajj Terminal, the largest building in the world, has been designed to welcome more than a million pilgrims.

As in every region of the country, there are grumbles. The decline in influence of the Jeddah merchants, in relation to those of Nejd, has been a blow; while even the relatively fluid social life has seen changes over the past five years.

In the old days, rich and poor knew their place and what each other was up to. Those whose family life was not the province of outsiders could count on the tact of friends, while those who were more open were as easily understood. No-one today is quite sure any more how an acquaintance or even a close friend will react to the most well-meaning of conversational forays or acts.

The old and the middle-aged find the new world disconcerting. The young know no different.

Towns of Nejd CONTINUED FROM PREVIOUS PAGE

As Muhammed bin Abdul Wahhab, the 18th-century preacher from Horeimela (some 15 miles up the Wadi Hanifa from Riyadh) found powerful patronage in Diriyya, so later King Abdul Aziz found the militant zeal of his co-sectarians a powerful aid in his unification of the country.

The ruins of Ghat-Ghat and other villages in Nejd, established as a reward for the services of the Ikhwan (the fighting arm of Wahhabism who to terrified Hejaz and Asir), remain as testimony to this inter-dependence.

Whether this creed flourished in Nejd because it struck an existing sympathetic chord in the Nejdi character, used as it was to e harsh environment and meagre living, is here beside the point.

The fact remains that in Nejd today drivers of the universal Datsun pick-ups pull off the road at prayer times to face Mecca, and office staff from directors to clerks keep prayer rugs conspicuously by their desks.

The faith is as real and vital as Christianity was in Victorian England; but distractions from its observance are not tolerated.

Officers of the Society for the Protection of Virtue and Prevention of Vice, who have police powers, ensure that shops shut during the times of prayer, that women dress inoffensively and that public conduct generally is within the strict bounds of the Wahhabi code.

Huge influx

For it is realised that religious observance is a frail thing, and that the huge influx not only of foreigners but of Saudis from other, traditionally less strict, parts of the country could lead to a loosening of the Nejdi code of conduct.

Outside Nejd, Saudis take hard to this strict code, and will smilingly remind a visitor that he is not in Nejd, as sufficient explanation for their looser observance of many socio-religious aspects of Islam. Thus, the wearing of gold or silk, or the smoking of tobacco, will be less frowned on in Hejaz than in Riyadh.

Within the overall Nejdi character, with its virtues of devoutness, politeness, hospitality and *sabr* (the pre-eminent virtue of patient fortitude), and its shortcomings of hardness, xenophobia and, what Doughty called, "the glozing tongue," there are regional differences.

Oneizah, for example, is known for its open hospitality, as its neighbour, Bureidah, for its piety.

One interesting aside demonstrates the industry and thrift inculcated by the Nejdi character. In the days before oil, many families from central Arabia emigrated to the Gulf coast to find work, first as pearl fisbers and latterly as merchants and businessmen. These same families—the Zamils of Oneizah, the Bassams, Tamimis, Olayans and Reshaids—are now among the leading business families of the Eastern Province.

Despite the superficial changes—the increasing glitter of Riyadh and the growing sophistication of the people—Nejd remains fundamentally different from the rest of Arabia and has an enduring quality. Nothing can change the hot, hard climate and the limitless, bare horizons. Equally, nothing will change the Nejdi, until be ceases to be proud of his origins.

The Saudi Royal Family entertains the leaders of the United Arab Emirates and Qatar at camel races near Riyadh. Front row, from left to right: Crown Prince Fahd; Sheikh Khalifa, Ruler of Qatar; Sheikh Zayid, President of the UAE and Ruler of Abu Dhabi; King Khaled; Sheikh Rashid, Vice-President of the UAE and Ruler of Dubai. Prince Abdullah, head of the National Guard, sits behind the table next to King Khaled

Govenor's independence an important issue

AT THE beginning of 1920, in the mild months of January and February when travel in Arabia was rather pleasant, the British political agent in Bahrain paid a visit to the governor of Ion Saud's eastern domains in his capital at Hofuf.

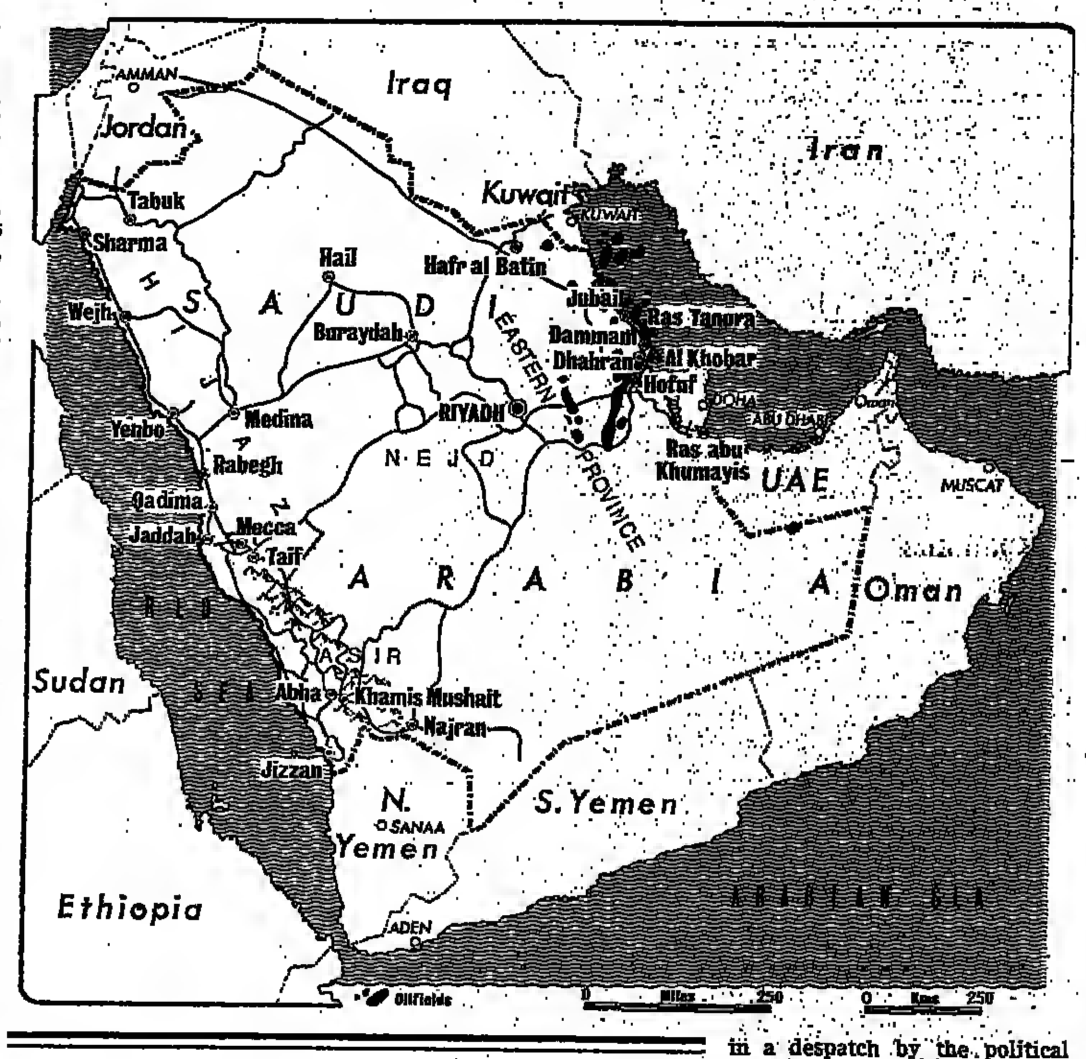
The agent, Harold Dickson, who later became famous as adviser to the ruler of Kuwait, wrote a report on his visit to his superior, the Resident at Bushire, describing Bin Jiluwi, the governor, and also the conversationa the two had held and his journeys between the great Hasa oasis, whicb bas Hofuf as its centre, and the coast.

His report contained a revealing anecdote, whicb ran as follows:

"Incidentally one of the escort, Marzuk by name, was the chief executioner in Hasa. He told me Bin Jiluwi had fixed Thursdays for executions. These were done in public in the market place and the body left until night-fall. He himself had decapitated 22 men and bad cut off the bands of scores.

"The latter process, he grimly said, did not hurt, but wbat did make men cry out was putting the severed stump into boiling fat. Marzuk believed tbe fact that executions had become rare these days was owing to the fear with which Bin Jiluwi was held.

"One interesting story he told me as being typical of Bin Jilumi's methods. A man came and reported to Bin Jiluwi that he had seen a bag of coffee lying on the high road between Riyadh and Hasa, hut within the latters' borders. Bin Jiluwi thereupon asked him bow he knew it was coffee. The wretched man said: 'I kicked the back and so knew it to be coffee." 'Well then,' said Bin Jiluwi, 'don't be curious in future and kick any more bags on tbe Imam's (Ibn Saud's) highway. Off witb bis right big toe." Marzuk did the needful."



EASTERN PROVINCE

MICHAEL FIELD

Boredom

Dickson's report apeaks volumes on the poverty and boredom of life in Arabia before oil, when sometbing as trivial as the discovery of a bag of coffee could cause a man to go specially lo the governor's majlis to talk about it. The report is also significant as a description of the way that part of Arabia was ruled by a man whose descendents have since remained governors of the Eastern Province.

Following the riots in Qatif, late last year, and in February this year, in which the Shia muslims who account for virtually all of the town's population expressed their resentment at being second class citizens under the rule of the Sauds and Bin Jiluwis, there is now some question as to whether Abdel-Mohsin bin Saud, the grandson of tbe original Abdullah bin Jiluwi, will remain as governor or be allowed to exercise the same independence in government that he bas enjoyed bilherto.

The Qatif riots were importanl not only because they took place in the Kingdom's oil bearing region, but because they were the first open and repealed violent expression of dissent by ordinary people since Saudi Arabia began lo turn itself into a modern Slate after the Second World War.

The origios of the riots go righl back to 1913, when Abdel-Aziz Ibn Saud, the Sultan of Najd, conquered the easlern regioo in one of the first of a series of campaigns that led to the creation of the Kingdom of Saudi Arabia.

At the time of the conquest, the modern towns of Dhabran and Alkhobar, not lo mention Abqaiq and Ras Tanura and the otber oil settlements, were non-existent.

Damman, now the capital of the Province and the seat of Abdel-Mohsin'a government, since his father moved from Hofuf in the early 1950s, was oo more than a string of houses two deep along the short of the Gulf.

The main ports in 1913 were Jubail, Darin—the harbour for Qatif—and Uqair—the harbonr for Hasa—all of tbem doing mnch of their trade with the deep water port of Bahrain, which was wbere the ocean-going steamers called.

Tbe population centres were the Qatif oasis, which by the 1930s was reckoned to have a population of some 80,000, and Hofuf and Mubarraz in the Hasa oasis, which was many times bigger than Qatif and less wretchedly poor.

Qatif's population was entirely Sbia, while Hasa had a Shia majority which the Sauds and Abdullah bin Jiluwi, wbo was a close relation and brother in arms of the Sultan, proceeded to dilute as much as possible by settling Sunnis from the Nejd in the oasis.

Nowadays, the conqnest is represented as a "liberation" from Turkish rule, but what little evidence there is of the population'a reaction in 1913 is ambivalent and difficult to assess.

There was certainly a Nejdi party in Hasa, led by tbe Algosalbi family, wbich hecame the Sultan's agents in Bahrain after the conquest, and there is no doubt that Saud/Jiluwi rule brought law and order and freedom from bedouin raids after the confusion that marked the later decadent years of the Ottoman regime.

There is every reason to believe tbal, even if Bin Jilnwl's methods were brutal, he won much credit for thia achievement. On the other hand, the Shias ware seen not so much as ordinary cilizens of the new government, but as a conquered suhject race to be exploited comercially and to be controlled mora closely tban the province's Sunni inhabitants.

It is no coincidence that within days of th econquest of Hasa in May, 1913, the shaikh of Seihat, a Shia comunity near Qatif which surrendered a few weeks later, wrote to the Britisb political agent in Bahrain asking if bis people migbt be taken under Britisb protection.

In tbe files of the Bahrain Agency, which are now housed in the India Office Library in London, there are records of Sbias from Hasa and Qatif in the 1920a and 1930s appealing to the British to intercede on their behalf with Bin Jiluwi. Normally, they would base their claim on the fact that they were descended from—or still part of—the Bahrain Shia community.

Mainland trips

More freqnent, because of more immediate concern to the British, are references to the Sauds, Bin Jiluwi and the Algosaibi faily trying to extend the autbority of the mainland government over anyone of Nejdi or Eastern Province origin living in Bahrain, and at the same time discriminating against Shia merchants of Bahrain in such matters as the granting of permission for lrips to the mainland.

On one occasion a theft occurred in Bahrain in wbich both the accuser and the sccused were of Hassawi origin. The accuser went to Bin Jiluwi, wbo wrote to the Ruler of Bahrain, Sheikh Hamed bin Isa, telling him to bave the accused sent for trial in Hasa.

Had the political agent not heard about the matter and intervened to keep the man in Bahrain, it is quite prnbable that the accused would have been despatched to the mainland. In all the lower Gnlf states the rulers were much in awe of Bin Jiluwi and even turned a blind eye to some of their subjects paying tax to him.

Another incident, which occurred in 1930, was recorded in a despatch by the political agent: "On my return here I find that when a prominent merchant, Mohammad Yateem, recently ran over a Nejdi in his car, he was at once summoned by the Algosaibis who severely reprimanded him for having injured a subject of H.M. King Ibn Saud. He was later prosecuted by the police, but their action caused much comment."

Among other things, this incidenl illnstrates how much more developed and open to the outside world was Bahrain compared with Saudi Arabia. Thia was mainly because of the island'a greater prosperity, its trading history and the British presence, which included not just the PA but also Sir Charles Belgrave, wbo was adviser to the ruler and who ran the island in a henevolent, non-nonsense way, as if it were an English country town and he a mayor with supreme powers.

Cars, in 1930, were virtually unknown in Saudi Arabia, and the punishment given to Mohammad Yateem by the Bahrain court was even more out of another world. He bad bis driving licence suspended for 12 months.

In the later 1930s and 1940s, the Saudi authorities became less aggressive in their dealings with Gulf states. Throughout these years, the British interest in the Gulf was increasing as a result of the oil companies' interest in oil concessions. This, together with the payment of concession rentals and in Bahrain's case the first oil revenues, made the Gulf states emerge as stronger more independent entities.

A world of modern nation states was superseding the purely tribal world of the first 30 years of this century—though beneath the surface, and not easily visible to Western eyes, a great deal of tribalism remains in relations between the Gulf states and Saudi Arabia to this day.

The advent of oil was also significant for the Shias in their relations with the Saudi authorities. As a former chairman of Aramco put it recently: "We were a Godsend to the Shia community because we were colour-blind; we were a kind of emancipation for them. We just employed anybody who

A province of hills and watchtowers

A farming settlement in the Asir region of the south-west. The Asiri farmers cultivate palms, winter wheat, durra maize, sorghum and Egyptian clover for fodder, vines, apricot and fig trees

ASIR

JAMES BUCHAN

THAT SAUDI ARABIA is not a country just of sand and dour flatland is well-known, but even Saudis from the north tend to speak of Asir in tha south-west with a certain awe.

While mapping the border between Yemen and Asir for King Abdul Aziz in the 1930s, Harry St John Philby wrote to his wife from the Monday Market of Wadi Beish: "The garden of Eden must be very like this valley and the human beings one meets from time to time might have stepped straight out of Genesis. Naked except for a loincloth, and sometimes a rifle and with very fuzzy greased bair.

"All prefer walking to riding, and drink from the brook whenever they are thirsty. When tending goats on tbe hillside they sit so still just like monkeys that one doesn't notice them unless they move or speak."

For many living in Saudi Arabia, Asir is indeed a kind of paradise: when Jeddah boasted only a single tree, the hillsides of the Balahmar country were covered in fnrest. Many forget that even after the Saudi campaigns of the 1920s and 1930s, Asir remained one of the more dangerous and less accessible places. Tall watch towers, of stone on the escarpment and mnd on the inland hills, attest to the tribal violence that disturbed the hundreds of tiny hamlets where Asir's farmers still mainly dwell.

Broken terraces and ruined buildings sbow also that the former farm prosperity has declined. Five years of near drought and a sbower of government spending elsewhere has caused many young men to go to the army, and to Riyadh, Jeddah and the Eastern Province, where men from the Qahtan tribes of the south have been settled for over 20 years.

In the dry wadi mouths of the east there are overweight young bedouin returned from service in the Kuwait Police Force. In 1916, the spies of the British Arab Bureau estimated the population of Abha, the provincial capital, at 20,000. It is only just double that now.

Road link

Completion of a road to link Abha with Jeddah last year means that Asir is being absorbed more rapidly into the fabric of the country. Against difficulties even Korean contractors recognised, Hyundai has provided electricity for 16,000 scattered farmers, while a pre-casting plant and the ubiquitous concrete block plants serve a delayed boom in building.

The province's political integration is a priority because of the generally disturbed conditions of North Yemen. When King Khaled visited the military base at Khamis Musbait at a time of border tensions last June, 40,000 Qahtan and south-eastern tribesmen paraded with their arms.

These tribes, like their Zeidi counterparts across the border, are regarded as buffers to the expansion of the interests of the Moscow-backed government in Aden and of the opposition National Democratic Front in North Yemen. At the same time, the base at Khamis Mushait is tbe site of an early warning system and a squadron of F-5 aircraft, and will shortly take delivery of mobile Crotale surface-to-air missiles.

While the popular and accessible Governor, Prince Khaled Al-Faisal, welcomes new light indnstry, his economic prinrities are to bolster farming and the special attractions of the province, and to encourage tourism. A vast tract of escarpment to tbe west and south of the capital has been set aside for a national park on the American model while there is considerable sympathy for the introduction of measures to protect the wildlife, which is remarkably diverse.

In popular entomology, Asir means difficult or bard to pass. The province forms part of a region of very ancient Precambrian granites and volcanic structures known as the Arabian Shield and straddles a steep escarpment. To the west of Abha, the scarp rears up to the high peaks of Jebel Souda and Nimas then falls a breathtaking 7,000 feet in a few miles to the hot and windy Tihama plain and the province of Jizan, the former domain of the Idrissi rulers of the Senussi persuasion.

Tn the east, the plateau falls gradually towards Nejd, drained by the long wadis nf Bisha and Tathlith. These provide cultivation for palms and fruit but are separated by wild steppe offering only lean pastures and a nomadic life for the least successful of the Asir tribes.

The Taiwanese-built road down from Jebel Souda to tha Tihama will need 13 tunnels and 32 bridges before Abha is joined to the port of Jizan. Historically, the escarpment must have been all but impassable and the incense trade completely bypassed Asir, carried in difficult stages along the edge of the Sands through Najran, Bisha and Mecca.

The fragmented tribes that warred and feuded until the Saudi peace came also created obstacles. The Roman expedition of 23 BC appears to bave suffered appalling losses on its return from the Incense towns; a rock carving in tbe wilderness of Masane shows a figure in a plumed helmet being disembowellel. An Egyptian army camped in Wadi Bisha for two weeks in 1834 but made no progress south.

Tbe Turks made an effort to bring the area under control in the 1870s, wresting Abha from the Bani Murghaim, but their authority was strictly limited to that region and the small barbour of Qunfudha. The Imam of Yemen also tried to take an interest. More successful were the Idrisi descendants of Sidi Ahmad of Fez, who settled near Jizan in the early 19th century. Eventually, they controlled not only the mud and grass villages of Jizan but also lorded it over the Qahtan.

These petty Interests could not resist the emergent Saudi power and the Idrissi notables and certain tribal leaders, including the Ismaili masters in Najran, were exiled to Mecca. Yemen was forced to accept a border dictated by the Saudis, although even last year Sanaa did not discourage raiding by triblesmen in the Wadi Najran and to the east.

On religion, for all the hotcbpotch nf confession in Asir, the Wahhabite interpretion of Islam bas taken hold, though in devotion to detail the inhabitants of Wadi Beisb would scarcely pass muster in Nejd.

In the central area, particularly the country of the Bani Sbahr around Nimas and the Balahmar north of Abha, pasture is so good that a nomadic life was never necessary. The Agriculture Ministry has found that grazing of 8m sheep and 200,000 camels between Taif and the Yeman border and Asir must provide most nf the sacrifice animsls during the Pilgrimage. At the Feast of Sacrifice tbe road nortb is jammed with Toyotas full of meat camels and sheep.

On terraces and in the wadi bottoms, the Asiri farmers cultivate palms, winter wbeat, durra maize, sorghum, and Egyptian clover for fodder, vines, apricot and fig trees; the Turks introduced tomatoes and rather disagreeable olives. These are sold ln the important market towns of Khamis Musbait and Abha, or at the weekly markets of the south, but poor roads prevent any but the most limited export to Jeddah and the price of most produce cannot be maintained in season.

Food smuggling

At tbe same time, the Qahtao and Bani Yam in the south are engaged in smuggling subsidised imported food into Yemen in return for arms and liquor for the binterland.

Inevitably in Sandi Arabia, the problem is water, not only fnr farming, but fnr industry and the copper and zinc mining venture launched by a Saudi-U.S. venture in Masane.

Apart from in the Wadi Najran, who catchment in Yemen sends down devastating floods, the water table in all tha wadis is dropping and graziers are having tn go further and further afield. Overgrazing has become a serious problem. Meanwhile, traditional habits nf thrift with water bave evaporated.

The present strategy of the Government, and of Prince Khaled's em irate, is to construct dams to hold back flood water for an orderly replenishment of the water table and so avoid a destructive rusb to the sands or the sea. But the demand of the towns, and of those hamlets connected to mains water, baa meant that Asir, like the rest of Saudi Arabia, may have to turn to the sea.

The present plan, grudgingly accepted by Prince Khaled, is fnr a desalination plant at Sbuqaiq on the coast opposite Abha. The engineering problems of piping water np 7,000 feet of scarp make the Taiwanese road, whicb will take five years to build just 30 miles, look paltry.

Apart from the problem of overgrazing, other dangers threaten the potential that Asir has for tourists. Improved rifles and motor vehicles have already rendered the oryx extinct in Arabia, and the ibex, the Arabian Gazelle and the Arabian Wolf are now at risk in Asir. Prince Khaled is now opposed to any hunting in the province, but the bedouin are less easy to convince. A second danger is the promiscuous cutting of juniper and acacia for fuel by bedouin and tourists, while their indifference to litter ls seen on the road south — in verges covered by drifts of soft-drink cans sometimes a foot deep.

To provide some respite, nearly balf a million hectares around Jefel Sonda, Qaraa and Qataghan have been set aside for the Asir National Park. The U.S. National Park Service has advised the Agriculture Ministry and the emirate, and to complete amenities totalling $15m this year. It is hoped that tba park will offer refuge to such rare species as the ibex and the buge African lammergeyer (a vulture), as well as more than 340 migrants and other birds of prey.

Dilemma of the old and new

"A STUDENT who learns without thinking is nothiog. A student who thinks without learning is dangerous." Dr. Mahmoud Safar, the Deputy Minister of Higher Education likes to quote this adage, attributed to Confucius, as reflecting the fundamental dilemma faced by Saudi Arabia in adapting traditional educational methods to cope with the demands of development and modern society.

There is a genuine desire amongst Saudi educators and their advisers to confront these problems, not least because oo their solution rests the sbape of future Saudi society. But there have been this century two main and powerful influences on education.

The first is religious teaching with all its unchallengeable authority; the second curricula based on the Franco-Egyptian system formerly used in Egypt and other Arab countries, which, as is conservative in its approach towards the acquisition of knowledge. The result is—and this applies more to general rather than university education—in the words of one observer, "that the two major influences . . . . both emphasise the authority of the text, rote-learning as opposed to discovery, pedantic exposition by teachers as opposed to activity by pupils, and the theoretical over the practical."

The fear is that, were these priorities reversed too swiftly, the outcome might he a damaging assault on the hasic tenets of Saudi society and its political structure, which are already under strain from economic modernisation. It means also that there is a distinct gap between general education and higher education, wbich is generally run far more imaginatively. Thus the main priorities in the forthcoming Third Development Plan are as follows:

Consinuing expansion of education, wbich is not compulsory, to make it universal up to the intermediate level.

● The development of technical and vocational institutions, partly to bridge the gap between the two main educational levels, hut mainly to develop Saudi personnel so that the dependence on foreign labour willbereduced.

● Up-grading the quality of teacher training—again to reduce the dependence on foreigners.

Underlying these aims is the tbeme that progreass and ehaoge must not be pushed too fast. This has become even more apparent after the siege at the Great Mosque in Mecca, which is described elsewhere lo this supplemeot. For although, most students were appalled that it took place where it did, there was some sympathy for the avowed social priociples and demaods of the attackers.

EDUCATIONAL STATISTICS: 1975—1980

Educational category	Student population 1975-76: total	male	female	Schools 1975-76	Teachers 1975-76	Student population 1977-78: total	male	female	Schools 1977-78	Teachers 1977-78	1975-80 plan, target for student enrolment
KINDERGARTEN	15,485	8,957	6,528	92	n.a.	18,014	10,299	7,715	123	n.a.	n.a.
PRIMARY	686,108	439,502	246,606	3,497	23,913	753,208	474,629	278,569	4,445	39,328	1,041,163
POST PRIMARY	217,965	152,228	65,737	992	9,223	286,930	193,003	93,927	1,400	17,954	230,052
HIGHER	26,437	21,127	5,310	7	1,808	41,584	32,429	9,155	7	3,774	42,965
TECHNICAL	4,063	4,063	—	21	619	4,967	4,967	—	28	852	14,405
SPECIAL	1,804	1,550	354	45	518	1,721	1,376	345	52	793	4,416
ADULT	95,341	68,082	27,259	n.a.	n.a.	106,029	74,818	31,211	n.a.	n.a.	519,831
TOTAL	1,047,203	695,509	351,694	—	36,081	1,212,453	791,531	420,922	—	—	—

n.a.: Figures not available or not in Plan. Sources: Saudi Arabian Monetary Agency and Second Development Plan.

Dr. Mansour al Turki, Rector of Riyadh University

HIGHER EDUCATION: 1979-80

	University	Campus/city	Admisn. for girls	Year opened	1977-78	1978-79	1979-80	1975-80 plan target
1	Riyadh	Riyadh, Abha	yes	1957	10,500	12,801	13,744	15,061
2	Imam Mohammed bin Saud	Riyadh, Abha, Qassim	yes	1973	5,299	5,197	5,919	8,578
3	Islamic	Medina	no	1961	1,655	2,059	2,271	4,163
4	King Abdel-Aziz	Jeddah, Mecca, Medina	yes	1967	20,182	20,182	13,672†	14,556
5	King Feisal	Dammam, Hofuf	yes	1975, 1976	614	872	1,158	‡
6	Petroleum and Minerals	Dhahran	no	1963	1,616	1,761	2,930	2,786
7	Girls' colleges	Riyadh, Jeddah	yes	1970, 1974	1,726	1,965	3,263	‡
	Total enrolments				41,592	44,837	42,957†	

* Excluded are: The King Abdel-Aziz Military Academy (opened 1955) and the King Feisal Air Force Academy (opened 1970) hoth under the Defence Ministry and in Riyadh; and the Internal Security Forces Academy, controlled by the Interior Ministry and established in Riyadh in 1935. † Provisional and perhaps not allowing for night school students. ‡ Not in plan.

Source: Ministry of Higher Edncation.

The extent of Saudi Arahia's general commitment to expanding education is revealed by official figures. In 1978-79 it bad 884,614 pnpils at all levels up to university. In 1979-80, there were a total of 42,957 university students. It oow has 4,645 schools and 41,565 teacbers, and seveo universities (including girls colleges but excluding military institutiona), with faculty numbering 4,159.

Budgetary expenditure has risen spectcularly io size. In 1971-72 it totalled SR 1.6bn ($479m). In 1979-80, it totals SR 61.4bn ($4.9bo), 10.2 per cent of the hudgeted, and the second largest single allocation, after Defence aod Aviatioo. And within the educational hudget, higher education has been taking an increasing proportion, so that its share is now over one-third.

Saudl officials accept that heavy exepnditure does not necessarily produce quality. Indeed, such is the country's wealth that there is evidence of confusioo in absolute priorities and that edge has been taken off improving local resources because expatriates can easily he bought in or students seot abroad on stipends.

Out of control

It is clear, too, that on occasions speoding has slipped out of control. Ooe of the tasks of Dr. Mansour Turki, a former Deputy Minister of Finance, who was appointed rector of Riyadh University last year, was to renegotiate the terms for the construction of a new campos, the largest single ooe in the world, for tbe uoiversity at Diriyah. Costs, which were estimated by the Saudi Arabian Moneary Agency (SAMA), in 1978 at SR 13hn ($1.83bn) could now be as much as SR 25bn ($3.52bo). The project will go ahead hut would not now be complete before the end of 1984. But, io line with a policy decision that bigher education should not be endlessly expaoded, it will oow cater for about 20,000 students (there are over 13,000 at present), compared with the original target of 25,000.

The problems faced by Saudi educators are considerable. For example, the sheer size of the country, the contrasting and difficult geographical conditions together with the sheer remoteness of some commnnities, means that educatiooal services and buildings are often of uneven standards and distribution.

In addition, despite efforts to build up taecher training, it remains a profession, whether on the administrative or teaching sides, which is basically unattractive to Saodis. For example in 1978-79 they provided 55.9 per cebt of all teachers up tn university level.

EDUCATION

ANTHONY McDERMOTT

Broken down, this came to 17.9 per cent at kindergarten level, 72.3 per cent at elementary, 27.2 per cent at intermediate, 16.3 per cent at secondary, 17.6 per cent at teacher training schools, 35.3 per cent at technical schools, and 58.7 per cent at special schools for the blind, deaf and dumh, and mental deficients. About 40 per cent of faculty are Saudis at university.

The system is thus largely operated by foreigners, mainly Egyptians, Jordanians and Palestinians. With the exception of the universities, this has led to a number of complications. First, foreign teachers are lnevitably less committed to Saudi educational system and its modernisation. Second, because of demand — particularly in Egypt and Jordan — many of the teachers sent are not of the highest calibre. In addition, their turnover is high.

This, in turn, aggravates the prohlem of introducing reformed curricula. At present, efforts are heing made to improve langoage training (particularly English with British Council assistance) and technical education (with West German aid). But broadly, for tbe reasons outlined above, the bulk of the curricula do not coincide with the national economic and social requirements and aspirations, and are an inadequate preparation for higher education.

Dr. Turki, for example, would like to see the "free discussion" periods which make up 10 per cent of grades awarded increased to 25 per cent. "But," as he points out, "you must remember the way we raise our children. Saudis are still shy of discussing things, for we were raised to respect older people, and part of our hesitation comes from this".

Standards bave also been hampered by twn additional factors. The first stems possibly from an attempt to conform to Saudi desires to increase the nombers of "qualified" persoonel. There has been a tendency towards allowing an increasing percentage of passes in public exams. Between 1965-66 and 1975-76, the percentages of those passing elementary, intermediate and secondary education certificates rose by an average of 56 to 95 per cent.

This is attributed less to rising standards.

Rather the accusation is raised that foreign teachers supervise exams inadequately, leak examination questions and, especially at the secondary level, falsify marks.

The second, was the element of wastage through pupils dropping out or having to repeat courses. In the former case, the situation has improved greatly since the mid-1970s when, particularly in the earlier stages, drop-outs were exceeding the rate at which the system as a whole was increasing. In the latter, the congestion caused by "repeaters" has fallen to about 5 per cent in 17-78, according tn Dr. Saud Jammaz, vice minister for technical affairs in the Education Ministry, from 10 per cent some years earlier.

Overall standards

Tbere is little doubt that Saudi officials are concerned about overall standards. This is particularly the case at university level, where they are acknowledged to be uneven. Certain faculties, such as those of engineering and dentistry at Riyadh University, and the medical school at King Abdel-Aziz University ln Jeddah, are acknowledged to be of international standards.

But it is an interesting and encouraging reflection that the jewel in the Saudi higher education crown—the superbly equipped and situated, and deliberately specialist University of Petroleum and Minerals at Dharan—has so far held back from awarding any doctorates of its own. This is despite its repuation being extremely high and having about 165 Saudis studying for doctorates in the U.S., above its current student population of 2,661.

Saudi Arabia has been following a deliberate policy of increasing the number of its students studying ahroad. This has, however, been modified to take account of expanded facilities at home and so as to reduce to a minimum the number of those being exposed to potentially disruptive influences in the West.

The numbers of students abroad on Government fellowships rose from 5,310 in 1974-75 to about 21,000 in 1978-79. Of these, some 17,000 are in the U.S., of whom at least 5,000 are studying for doctorates and master's degrees; and about 2,000 are in Britain, mainly tn study medicine and engineering.

Connected with this are three separate strands in the Saudi educational strategy which is basically aimed at producing a sufficient number of qualified people to take over many of the jobs handled by foreigners. It is a long-term project reflecting one of the key aspects of the next Development Plan.

The first involves the bridging of the gap between secondary and higher education through technical and vocational training schools.

But with at present only 3,815 pupils at 18 Vocatiooal Training Ceotres—half the Second Plan target—in the Kingdom it is admitted that the VTC and other intermediary training courses have not fulfilled the hopes of the Second Development Plan.

The second reflects efforts to divert students away from the softer educational options such as the arts and industrial management with their greater possibilities for making money supremely in the private sector, towards the more nationally-useful faculties of science, engineering and medicine. This is being done by offering greater opportunities for travel and Government-backed studies abroad, and higher regular scholarships, and through Government missions to schools in the Kingdom to explain the future opportunities in industry.

In addition, according to Dr. Safar, plans are under review for the establishment of five junior technical colleges, probably in Riyadh, Jeddah, Hail, Asir and Taif, to concentrate on prodncing students who would largely co-operate with the Saudi Natinnal Centre for Scineces and Technology and the Sandi Basic Industries Corporation (SABIC).

Mr. Abdel-Aziz al-Zamil, the managing director of SABIC, is confident that Saudi Arabia can produce sufficient graduates to cope, specifically, with the requirements of their industrial projects in Juhail and Yanbu.

At present, Sandis provide more than one-fifth of the 530 engineering and managerial staff. But he sees no difficulty in the Saudi educational system being able to make a substantial contribution to the 9,300 work force eventually required. Meeting this target will depend on bridging the gap between secondary and higher education, and on overseas-educated Saudis whose drop out rate is about one-fifth, being qualified and motivated towrds working in projects such as those undertaken hy SABIC.

Female education

The third concerns female education. Its expansion has been an important and creditable development. Female students in 1978-79 provided 20 per cent or about 8,400 of university students, and approaching 40 per cent of students at other levels

But Dr. Hisham Nazer, the planning minister, reckons that at the end of the Third Development Plan about 40,000 women graduates will be available for employment. Yet, even allowing for wastage—which is high—this would leave a sizeable sector of useable labour. But while the ulema, the religions leaders, have apparently conceded that women may work as long as they do not mix with men, there still remains the question of what careers might be open. At present, the most enticing and established are medicine and education. But other sectors—possibly telephone, postal and secretarial work, unless a whole feminine parallel economy emerges—could possibly only be frustrating.

Classroom in the junior section of a Riyadh school. The children are wearing tracksuits ready for their next lesson, physical exercise

Record year for attendance

THE PILGRIMAGE

TIM SISLEY

AN IRANIAN stepped from his pilgrim flight onto the tarmac of Jeddah Airport last year. "Isn't it wonderful?" be addressed a Saudi policeman. "Now we are all brothers again." The policeman scowled.

The events of last year's pilgrimage clearly pointed tha synthesis of the temporal and the spiritual in Islam that the obligatory journey to Mecca itself symbolises. A senior Iranian delegation took the opportunity to meet Crown Prince Fahd and patch over—albeit only temporarily—wounds in common relations; the whole celebration of unity under Allah was overshadowed by tha seizure of the Holy Haram, the courtyard that contains the focus of devotion and pilgrimage, two weeks later.

The attackers were acting for the ideals that the pilgrimage represents, for the indivisibility of church and state, for the shared simplicities of faith, and for the cleansing of mankind and society. The hravest Saudi newspaper comment on the affair, and on the two weeks of bloody fighting that followed, was that only a land with an overhaated emphasis on religion could have given hirth to the suppuration.

Tha pilgrimage is one of the five dnties laid on every Muslim. If he or sha is physically and financially capable, the trip to the shrine in Mecca during the month of Dhul Hijja, which last year fell in November, is obligatory at least once in a lifetime. For the Nigerian or Pakistani villager bewildered by the electronic delights of the Jeddah suq, it is still the culmination of a lifetime's endeavour.

While their ancestors could have taken years for the journey, today's pilgrim is carried painlessly along a conveyor belt of charter flight, Saudi Government buses and allocated accommodation in tents. He is removed as soon as possihle afterwards, lest be take brotherhood to the point of slipping into the illegal labour force. For Saudi Arabia, it is an extraordinarily efficient operation.

At some point before entering Mecca, which for most means changing on the aircraft, the pilgrim entera a state of ritual purity by pntting on the *ihram*, two towel-like pieces of white seamless cloth. Women wrap themselves in white swaddling-clothes that leave only the face, bands and feet exposed. From tha moment of changing, the pilgrim may not argue, kill animals, have sex or cut his or her nails or bair.

In Mecca itself, 72 kilometres from Jeddah, the pilgrim makes the *tawaf*, seven circumnambulations of the Kaaha. Inside the Kaaha, a large hox-like structure covered with a cloth of black silk embroidered with Koranic inscriptions in gold thread, is the Black Stone. For Muslims, it is the centre of the earth.

He must next run seven times between the hills of Safa and Marwah, recalling the desperate search for water by Hagar, the wife of Ahraham, for her son Ishmael, by tradition the ancestor of the Arabs. Abraham, according to the legend, huilt the Kaaha with Ishmael to resemble God's house in heaven.

That night is spent at Mina, three kilometres away, the pilgrim going at sunrise to the Plain of Arafat. The day is Standing Day, where sermons are delivered and the afternoon is spent praying. The pilgrim next gathers 49 pehhles for the symbolic rejection of the Devil of stoning three pillars at Mina. A sacrifice follows, with a final *tawaf* ending the pilgrimage.

Dawn of Islam

The ritual is unchanged since the dawn of Islam, but it is not as simple as it looks. Last year, a record 3m pilgrims came, a million and a half from ontside the kingdom. Where once the hard part was actually getting to Mecca, the miseries now start with the masses gathered in one place at the same time.

The heat will grow worse as the dates of the pilgrimage moves forward 11 days a year towards summer; ill-educated pilgrims get lost or do not know how to use the lavatories; there is theft; and there is the virtual protection racket organised by some pilgrim guides.

The guides, or *mutawifeen*, bave charge of small groups of pilgrims, speaking their language and heing ohliged to ensure food and shelter for their flock, as well as to see them safely on the way home. Their payment is fixed by the state. However, the volume of complaints against their gouging extra money and leaving pilgrims to fend for themselves has grown so much that last year stern warnings were issued of life-long banning for offenders. A Cabinet committee is now trying to reform the system.

Efforts at smoothing the passage of those multitudes have concentrated both on organisation and on infrastructure. Last year SR 348m was spent on work on the Holy Sites, part of the Mina Development Project. It simply involves pbysical expansion, the creation of highways, flyovers and a network of broad pedestrian walkways arranged on a one-way system to carry pilgrims through their devotions. Last year, too, King Khaled dedicated SR 20hn of solid gold doors to the Kaaba.

Last year also saw the first restrictions on traffic entering Mecca. A han mainly aimed at princes who would turn up with a fleet of cars was imposed on any vehicle carrying fewer than nina people. The Saudi Puhlic Transport Company, the new hus operators, was pressed into service to assist the 6,400 buses normally used only for the transport of pilgrima between Jeddah, Mecca and Medina. The company leased 40 buses to the Royal Family and the Ministry of Information.

Pilgrims are given deadlines for their leaving Jeddah for Mecca, and no aircraft or ships are allowed in after a certain time. The effect is that the pilgrims are handled in parallel with the local economy, the most that Jeddah residents see of them nowadays heing the traffic jams or the open-roofed buses the Shia use, with a curious echo of the seaside, so that Allah can see them making the pilgrimage.

When the new airport is completed for Jeddah, with its Haj Terminal the largest enclosed space in the world, it will mean that apart from the negligihle number of pilgrims arriving by sea the local population will have almost no contact with their guests. It will set the seal on a gradual extrication of the commercial life of Jeddah from the pilgrimage.

Five years ago, traders would do as much business in the one month as in any other six, taxi drivers would "make a killing" and the pilgrims would sell their carpets or artefacts to get home again.

The people of Mecca, though, will continue to prosper, as will the bedouin who gear their lives to selling goats and camels for the sacrifice. So, too, will the Third World airlines and tha charter companies supplying the aircraft that go to the one landing and taka-off every minute in Jeddah just hefore the deadline.

Not so the Saudi Government. It was a poor pilgrimage during the Depression that caused an indigent King Abdul Aziz to give the first oil concession, hut the Government now heavily subsidises the affair. Fees are fixed at tha minimum, and the State fills the gap not only with the SR443m granted the Ministry of Pilgrimage and Endowments in tha hudget for the present financial year, bnt also with the salaries of the 4,258 firemen, 17,000 soldiers, and 5,000 cleaners on duty for the last pilgrimage.

It may he worth it, apart from the religious duty that is clearly felt, for the special position given the kingdom in the Islamic world. It is an opportunity for influence or reconciliation: last year King Hussein and Sheikh Zayed ibn Sultan al-Nahayan of the United Aram Emirates were among heads of state who came, and Yasser Arafat issued his annual call for Holy War to liberate Jerusalem.

There was reconciliation with tha Iranians, despite wariness ensuring the tents of the Persian pilgrims ware pitched next to the National Guard camp. No trouhle heyond scattering of leaflets and sporadic demonstrations in praise of Khomeini took place, although there has heen discomfort at Iranian demonstrations in Mecca in the six months since. A token mission of Soviet Central Asian Mnslims is always watched carefully, a dozen old men accompanied by a young Slav claiming the faith.

Last year was thought by officials to bave been the peak for some while. Rising oil prices and a depressed Third World will probably reduce the numbers this year, although there will he no diminution of the immigrant workers, for many of whom the opportunity to make the pilgrimage is the deciding factor in taking jobs in Saudi Arabia. They will ruh shoulders with the Saudi merchant class, pious again for a winter of business after summering in Cannes.

Saudi Arahia's welcome, though, is not limitless. The Kingdom tries to ensure that every pilgrim is gone hy a month afterwards.

Last year, Saudia's aircraft were horrowed for an emergency airlift hack to Tehran of Iranians it was feared might be infected by the Mecca attack. The round-ups and deportations of illegal immigrants, most of whom are pilgrimage overstayers, continue witb special zeal in the subsequent months.

Three million pilgrims went to Mecca last year. Most pilgrims arrive by air, but some (above) still come by sea

Foreigners unwelcome

EXPATRIATES

JOHN CLOSE

ONCE THE Christian cemetery stood in the desert outside the city, baunted by pariah dogs and raided by the *bedu* for knuckle bones to use in a dice game.

The handful of Westerners in Jeddah in the 1940s agreed that should any one of them die, he would be buried at sea. The Nakatu and Hindawiyah quarters of Jeddah bave long since subsumed the cemetery, now lost in the lumber yards and apartment blocks that have burgeoned since the city walls were razed in 1947.

Cyril Ousman, the British consul whose murder at the hands of Prince Mishari in 1952 led to the banning of alcobol, is buried there, as are others: "Unknown Englishman . . . American with Aramco . . . arm of Italian worker . . Ethiopian maid . . . Pilot Benladen."

In one sense, life is easier compared with the days of the first Europeans in Arabia. There are Western schools, bootleggers and speakeasys, extraordinarily successful theatre and music groups, and video libraries to ward off the horedom once averted hy long days on Quarantine Island; sipping cocktails in the sun. Yet the Americans at the U.S. Geological Survey and Saudia airlines in Jeddah and their cousins at the Aramco compounds in Dbahran remember tha policeman on the corner, who waved as the women drove their children to school. The recall the prisine fjord north of Jeddah, now choked with speedboats and bouses pouring their sewage into the sea. They remember, too, the quiet streets and easygoing Saudis.

Europeans and Americans have become the house slaves, Asians and Africans the fieldhands, with the Lebanese as overseers.

The change in the relationship between Saudis and their workforce has heen from one of complacent curiosity to one of resentment and fear. Being a threat is rather puzzling to the foreigner, whether Muslim or Western. Few plan to stay here for long, none has any desire to change Saudi Arabia and the Muslim workers do, after all, sbare the same faith.

Bnt the xenophobia is not so much a fear of subversion as a sense of loss, for Saudi Arabia's ldentity as a nation bas always been nebulous at best.

Content, in the recent past, to let the contractors deslgn and thet lahourers build their new physical world, Saudis—with an uncomfortable sense of their own inadequacy—have now turned against their helots.

From a disgruntlad exile in the Lehanese mountain village of Ajaltun, St. John Philhy, for 36 years an intimate of Sandi Arahia's first king, Ahdul Aziz, wrote in 1957 in his hok, *Forty Years in the Wilderness:*

". . . the country's obvious dependence on American technicians (and monetary aid) for the training of the Sandi army and air force, for tha efficient administration and maintenance of hte Sandi civil aviation, plus the davelopment of various agricultural projects, the increase of the country's water supply, its geological investigation, and so forth, tended to create an inferiority complex with all tha ills attendant, thereon."

For Third World construction workers this resentment takes the form of Draconian laws governing work permits. It is not uncommon to see Egyptians fleeing through the streets from Saudi policemen, only to end up in one of the Interior Ministry's black marias, lined up at tha airport.

Appalling greed

For Westerners, the bullying is more suhtle. The men are made cynical and disheartened by the appalling greed and Byzantine husiness practices. Their wives suffer acutely, particularly during their first few weeks, marooned in compounds, which are almost witty in their parody of suburban life, and denied driving licences in an isolation from relatives made all the more painful by the knowledge that, should there be a death at home, they would miss the funeral. Like all else bere, it takes time to get an exit visa.

Last year's long, hot summer of diatribes from the Society for the Encouragement of Virtua and the Discouragement of Vice, which is responsihle for maintaining public morals, made clear to the foreigner that be is not welcome. It was then that Saudi Arabia's officialdom, if only through silent consent, allowed the religious group to draw a lina between "us" and "them."

Again, St. John Philby knew of what he spoke. Sandis, he said, "bave gladly left to the industrioua foreigner tbe laborious task of producing the wealth and amenities needed for their now comfortable and luxurious living. Even ao had the Arabs in all time left the menial cares of agricultural toil to their slaves and servants, while their nobles roamed the wilderness in search of pasture for their flocks and herds, and of enemies to despoll.

"And, paradoxically, while in the days of extreme religious and national fanaticism not so long ago, the despised stranger within the gate was accorded a wide measure of latitudte in the enjoyment of his own way of life undisturhed, the general acceptance by the Arabs themselves of foreign ways and standards bas heen accompanied by a series of pin-prick restrictions on the amenities and privileges of the foreign benefactor."

Unable to surrender the luxuries of which such a short time ago he knew nothing, the Saudi is becoming ever more ridden with guilt and self-batred. He attacks the white man, even as he drinks bis fire-water.

Since Philhy's day, the "pin-prick restrictions" stab more deeply. Almost everyone has—or has had—a friend in jail, many awaiting a hearing years after the alleged offence: young Americans imprisoned without trial for drug smuggling; Britons for selling hoocb; Europeans for giving a party at which drink was served and women danced with men other than their husbands. Saudi justice moves glacially and, unless you have friends, inexorably.

Judicial process

What is even more chilling is that it moves in a world of its own. The judicial process here, presided over by men wbo speak no English, who have never left Arahia, and who are administering God's justice, is hlinkered rather than hlind.

The labour court is generally more sympathetic and knowluedgeahle, bnt before signing a contract with a Saudi amployer, it is imperative that tha suband visit first to see if the flat really is furnished, if thet car he is to pay for is actually in his name, if the salary, which may seem tempting from inflation-ridden England or America will indeed cover the soaring cost of living here.

That accomplished, the family must realise that "fun" in Sandi Arabia is like drinking home-brewed beer: it is savoured rather than guzzled, and enjoyed as much for the effort involved in its preparation as for any intrinsic value.

There are, of course, many Westerners who isolate themselves, who complain, who waste their time bere if not their bank accounts. If there is a lack of *habeus corpus* and running water there is no lack of grandeur in Arabia. To leave the sprawling, balf-finished cities is to return to a land of sky and sand not yet wbolly obliterated by development.

The mountains of the Asir, the southwesetrn province, the coral reefs north of Jeddah, the quiet towns of Hail and Hofuf, the massive canyon 250 kilometres north-east of Taif—all these and more will stir as they stirred the 19th century explorers.

In this noble and ruined conntry, there is still a young farmer at the end of a steep trail who will take you into his messuage, name the wadis below, lead you on a tour of his plantation, send you on your way the next morning after a hot cup of tea, and prove that therei s still a natural grace to Arabia.

هكذا من الأجل

A Moroccan pilgrim kisses the black stone lodged in a corner of the Kaaba at Mecca. Saudi Arabia's guardianship of the Moslem Holy places is an essential element in the relationship between the Royal Family and Islam

Dissidence brings risk for Government

ISLAM

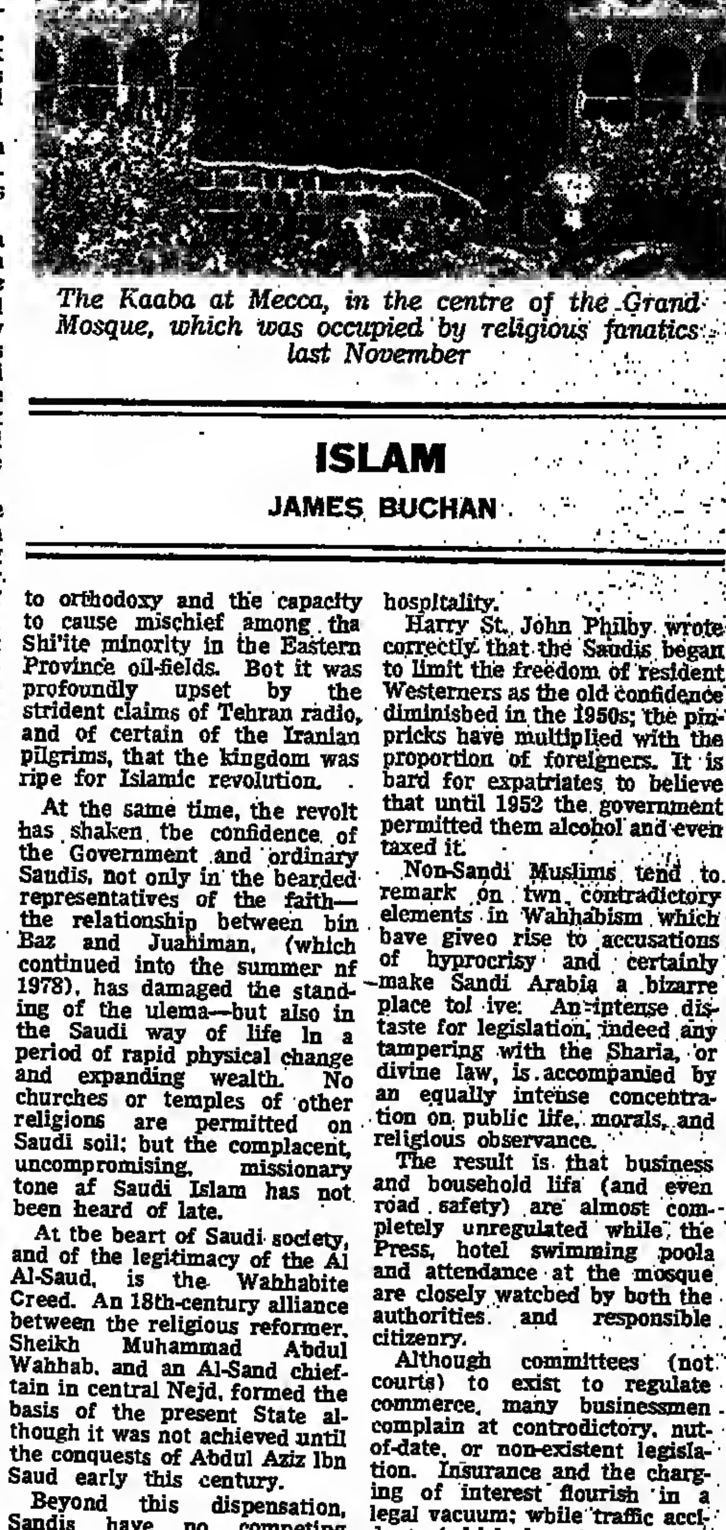
JAMES BUCHAN

IN AN interminable press conference soon after the recapture of the Great Mosqne in Mecca, Prince Nayef, the Saudi Interior Minister, was asked if the Government would come down hard on men with beards. Long beards, associated in the public mind with the *ulema* (divines) and the self-styled keepers of public morals, the *Mutawain*, were also a mark of Juhaiman Al-Otaibi and his ban dof Brethren, who seized the mosque last November.

"Half the Saudi population bas beards," Nayef replied. "We will always honour signs of piety on a man's face."

Six months before, in a pampblet circulated in Riyadh called *The Call of the Brethren*, Juhaiman had dictated: "Do not seek the law from those wbo bav eno beards or the state *ulema*. They will only make matters more difficult for you. They will not tell you the truth. They will only tell you what the Government wants."

Rebelions and regimes have their symbols and, for both Nayef and Juhaiman, long beards evoke both orthodoxy and a certain Islamic way of life, Government spokesmen bave always insisted that religious orthodoxy is the pre-eminetn guiding force, that the Koran and the Sunna, (the Prophet's own example), are the sole constitution of the conntry—inded, that Islam and the State are one.



The Kaaba at Mecca, in the centre of the Grand Mosque, which was occupied by religious fanatics last November

Sanctity

Juhaiman claimed that all Muslim rulers, and particularly the Saudi leaders, had abandoned the Koran and tbe Sunna and co-opeted the *ulemo* into their coruption. Even Juhaiman's old teacber, the blind and exceptionally learned Sheikh Abdul Aziz bin Baz had, he alleged, been "bought." "Bin Baz may know his Sunna well enougb, but he uses it to support corrupt rulers." Jubaiman enumerated the symptoms of the disease — the extravagance and greed of the ruling Al Al-Saud, the presence of Westerners in the kingdom, television, football, mixed education, even universities, indeed, the wbole paraphenalia of development.

The pamphlets ecbo the language of Islamic dissidence elsewhere, and even classical Islamic political theory: it is tbe attack on the Government of Saudi Arabia and the Saudi way of life (not to speak of the sanctity of Islam's holiest sbrine) that was unprecedented.

Few believe that Juhaiman's revolt has hurled the kingdom into that family of Muslim states — Iran, Pakistan, Libya, Egypt, eve nSyria—where Islam becomes the main refuge for opponents of the Government, Western "imperialism" or corruption ano oppression. Only a bandful of Saudis sympathised with the violence of the Brethren or Juhaiman's accentric and exact timetable for the redemption of the earth by bls friend and Mahdi, Mubammad ibn Abdullah Al-Qahtani.

Instead, the small and fragmentary revolt pointed out the enormous risk that Islamic dissidence bears for a Government that rules the Holy Land of Muslims, plays host to ao annual pilgrimage and claims to be as near an approximation to Allah's political will that buman frailty allows.

It is ioevitable at a time of questioning in the Muslim world about the political status of Islam that the Government of the Holy Land should come nnder scrutiny. The brethren could boast every shade of extremist fervour from the spectrum of Islam. Saudi Arabia's ingenious immigration and university admissions policy, and Juhaiman's personality, ensured that the group contained representatives of the Islah group of Kuwait, the Muslim Brothers of Egypt, the Jamiat Al-Tabligh of the Indian snbcontinent and the Black Muslims of the United States.

Equally, the siege gave religious opponents of the regime a field day. The Saudi Government was always aware that the revolutionary leaders in Iran bad competing claims to orthodoxy and the capacity to cause mischief among tha Shi'ite minority in the Eastern Province oil-fields. Bot it was profoundly upset by the strident claims of Tehran radio, and of certain of the Iranian pilgrims, that the kingdom was ripe for Islamic revolution.

At the same time, the revolt has shaken tbe confidence of the Government and ordinary Saudis, not only in the bearded representatives of the faith—the relationship between bin Baz and Juahiman, (which continued into the summer nf 1978), has damaged the standing of the ulema—but also in the Saudi way of life ln a period of rapid physical change and expanding wealth. No churches or temples of other religions are permitted on Saudi soil; but the complacent, uncompromising, missionary tone af Saudi Islam has not been heard of late.

At tbe beart of Saudi society, and of the legitimacy of the Al Al-Saud, is the Wahhabite Creed. An 18th-century alliance between the religious reformer, Sheikh Muhammad Abdul Wahhab, and an Al-Sand chieftain in central Nejd, formed the basis of the present State although it was not achieved until the conquests of Abdul Aziz Ibn Saud early this century.

Beyond this dispensation, Sandis have no competing attachments either tò an earlier civilisatioo (as in Iran) or to the cultural influences of an occupying power (though the present flood of foreigners and foreign ways amounts to that in some eyes).

In every sense, Juhaiman was a Wahhabite heretic; his links, through blood and sentiment, were to the fierce Brethren of Nejd that carried the Wahhabite banner intn the corners of Arabia, his quarrel as much with the Nejd ulema as with tba Government.

In general ,the Wahhabite hold weakens with the distance from Nejd and there are pockets of schism, in the Sbiite villages or among the Bani Yam bcdoin of the south-west, and of old superstitions in the deep countryside. Among the settled tribes of the populous Asir, a Wahhablte veneer barely masks predominantly Shafi or mainstream attitudes.

Saudis disapprove of the term Wabhabite and prefer to describe their faith as the closest attempt at the ideal behaviour of the Prophet and the early Muslims. But modern Wahhabism remains strongly defined by its opposition to certain lax practices of the 18th century (such as the worship of saints, mysticism, unpunctual prayer, decoration and public luxury) by its approval of certain bedouin attitudes particularly in the role of women, and by Turkish and even American customs.

Many Westerners believe Wahhabites to be puritanical and this is true in the sense that they are generally opposed to wbat is new. At beart is a profound xeoophobia which sits ill wlth older beduin traditinns of hospltality.

Harry St. John Philby wrote correctly that the Saudis began to limit the freedom of resident Westerners as the old confidence diminished in the 1950s; the pinpricks have multiplied with the proportion of foreigners. It is bard for expatriates to believe that until 1952 the government permitted them alcohol and even taxed it.

Non-Sandi Muslims tend to remark on twn contradictory elements in Wahhabism which bave giveo rise to accusations of hyprocrisy and certainly make Sandi Arabia a bizarre place tol ive: An intense distaste for legislation, indeed any tampering with the Sharia, or divine law, is accompanied by an equally intense concentration on public life, morals, and religious observance.

The result is that business and bousehold lifa (and even road safety) are almost completely unregulated while, the Press, hotel swimming poola and attendance at the mosque are closely watcbed by both the authorities and responsible citizenry.

Although committees (not courts) to exist to regulate commerce, many businessmen complain at contrdictory, nut-of-date, or non-existent legislation. Insurance and the charging of interest flourish in a legal vacuum; wbile traffic accidents (which do not eveo go to court) are assessed by the police, usually against the driver least hurt.

Pressures

In contrast, public morals are under a wide variety of pressures. The first of these is a very highly developed sense of shama which appears also in the sensitivity of Saudis to the criticism of the Muslim world and tha West.

In the suq areas, the mutawwain translate the traditional Islamic duty of "approving the right and condemning vice" with blows of the stick on errant shopkeepers or women. The State, througb the police, makes no distinction between sins against religious observance or propriety and crimes against life and property.

Admittedly, what appears to Western eyes as the most pettifogging rules of recent years (about women's dress, or mixed bathing) owed much to Juhaiman's strident preaching in Riyadh.

The State *ulema*, seeing their influence diminishing in a wealth of novelty, were perhaps content to use Juhaiman as a stick with which to beat Nayef and the Royal Family. Yet it appears that the Government is quite unable to resist calls to orthodoxy; and social legislation proceeds by fits and starts as an excess is discovered by the Press nr *ulema* and forbidden.

Crime, in the English understanding of the word, is comparatively rare and Saudis take a pride in the safety of the towns. When crimes do occur, they generally concern sex and are exceptionally violent; it as if Saudi Islam were such an encompassing way of life that those who break nut of it despair of returning.

Within the limits of rectitude, Saudi customs allows considerable freedom of private behaviour. Although peer pressure of a sort exists—it is unusual for a Government official to take a second wife—a Sandi's private life is genarally his own affair.

The family remains the prime interest of the vast majority of Saudis and, outsida the cosmopolitan Jeddah rich and American-educated Government officials, the limit of their social expectations.

As such, housebold life contribntes to the remarkable social stability of tha country and also to the dour appearance of its streets. Jeddah, with its private opulence and pnblic squalor, is the opposite of the European ideal.

Without exception, Westerners criticise the seclusion of women as if women in Europe achieved their rights without a struggle. To assume also that because women can be maltreated, they are, is to underestimate the power of the wife's family.

The subject is of extreme delicacy because it is so close to the centre of Saudi custom and, though the Koranic authority is weak, religion. The Third Five-Year Plan proposes only that a committee should look into areas where women may work. Although education has already wrought immediata changes for the moment, only those Saudi men who have been exposed to Western ways for a long period will risk the complaints of their elders in allowing their wives abrnad and they tend to be cautious about tha company they keep.

Just bow sensitive the Sandis can be, especially in matters affecting the Royal Family, was shown in the row nver tha recent showing of a British television film that attempted to reconstruct the events leading up to the execution, in 1977, of Princess Misha'al bint Fahd bin Muhammad.

Not tested

At the time of the girl's death, a number of intelligent Saudis had heen upset both by severity of tha sentence and the evidence that tha charge of adnltery or whatever had not evan been subjected to tha rigorous test of a Sharia court.

In fact, tha evidence suggested that the princess' grandfather, Prince Muhammad, had exercised a patriarch's right of life and death ever his family which is customary ('urf) under norms of tribal behaviour that have not yet completely decayed.

Yet lt was not apparently the film's damaging charge of unorthodoxy, but its suggestion that Sandi women, and princesses, regularly arranged assignations with men in dress shops er on desert roads that so disturbed the Royal Family. In fact, Prince Naif last year ordered his police to watch dress shops for precisely this reason. But such a candid treatment of Saudi womenfolk and the honour of the Royal Family abroad was instantly seen as an attack on the authority of the family, tradition and, thus, by the usual assumption, Islam itself.

Deep down, there is little feeling that women should have an indepent social existence or that the giggling of Saudi women is not a reasonable counterpoint to the beards and gravity of Saudi men.

The attitude of Juhaiman's executioner, Sheikh Saad Abdullah Al-Beishi, persists:

"The first time I practised in Riyadh, I executed three men. My four wives were there. When I returned, each had locked herself in her room and would not let me in. They frightened and perhaps thought they should leave.

"I dealt with the situation with an iron fist. I threatened to break down the doors. They gave in and left their rooms looking terrified. I told them to wash the blood from the sword. After this, everything returned to normal."

Government prestige suffers severe blow

MYTHS ARE quickly made in Islam. Just a few months after the seizure of the Grand Mosque in Mecca, little is certain except the damaged minarets, four crabbed pamphlets and the dead on each side.

The Saudi Government has consistently claimed that the revolt of Juhaiman Al-Otaibi and his Ikhwan (or brethren) was a bizarre theological exercise of little consequence; yet his promises of constitutional reform and land for all seemed to assume that the rising masked much deeper discontent. The Government and the Royal Family have suffered a blow to their prestige; even the executions had to be delayed for lack of competent men to despatch 63 of the band.

Some commentators have atempted to see separate political and religious strands in Juhaiman's message and action but this does not appear to be possible. At root, Juhaiman's revolt drew its inspiration from the same sources as the Saudi State itself, from a model almost as old as Islam, in which small communities expressed their piety by puritanical behaviour and militant relations with the ruling regimes an dtheir neighbours. This was the patern of life in Nejd in the 18th century and, again in the 1920s, in the settlements of the bedouin warriors known also as Ikhwan, with which Juhaiman clearly had strong sentimental links.

Such forms of organization could scarcely survive in a modern State, and the first Ikhwan were suppressed by Abdul Aziz bin Saud; but Nejdi opposition to innovations flared up as late as 1965 and was quelled by force. In recent years, too, social and political life has developed beyond the power of the mainstream ulema (clergy) to understand, interpre, or control it.

Aware of dangers

The Royal Family had always been aware of the danger of religious extremism and the capacity of the ulema to cause trouble. The siege revealed that the Interior Ministry invariably tape-recorded sermons in the Grand Mosque. The Islamic University of Medina had been purged in the early 1970s.

Yet the Government and its internal intelligence service failed to gauge the scale of the threat even after Juhaiman had been arrested in June 1978 and the Ikhwan had spelt out their plans in a pamphlet issued early the next year. The very day before the November 21 attack armed Brethren were taken in routine checks in the south, on the road to Medina and at the entrance to the mosque, but still the authorities did not act.

Of course, the Government was obliged to treat religious opposition with care so as not to compromise its own tradition of militant rectitude, embodied in the curricula of the religious universities.

Medina university had been founded in 1960 by Moslem Brothers driven into exile by Nasser: they had persuaded King Saud that the Egyptian regime was tampering with the sacred curriculum of Al Azhar in Cairo and the new university developed strict and reactionary teaching. This was refined under the guidance of Sheikh Abdul-Aziz bin Baz, who became rector in 1969 and was Juhaiman's master. He later signed the young man's death warrant.

Medina's role in the Pilgrimage, and the Government's missionary tendencies, naturally attracted foreign students opposed to the regimes in power in their own countries. According to Sheikh Hamud bin Saleh Al-Aquit, the prayer leader of a Riyadh mosque: "An atmosphere favourable to Islamic heresy existed because of the presence of large numbers of foreign students. A group emerged calling for the rejection of 'interpreted' doctrines in favour of a return to the basic Koran and the Sunna (the traditions of the Prophet's own behaviour). The Saudi authorities expelled the foreigners and rehabilitated the Saudi students but after the death of King Faisal, the heresies started up again."

This account coincides with the career of Juahaiman (and Bin Baz) at this cockpit of militant Islam. Juhaiman bin Muhammad bin Seif Al-Otaibi was born around 1945 in Saghir, a Qasim hamlet north of the immense Otaibi rangelands of central-west Arabia. After an indifferent 10 years in the National Guard—he appears to have been cashiered—Juhaiman moved to the university in 1972, where his dominating personality, wild eyes and retentive memory quickly distinguished him at the lectures of Bin Baz.

In his pamphlets Juhaiman claimed he broke with Bin Baz over the extent to which the Koran and Sunna required an open condemnation of the Saudi regime; Bin Baz and the other ulema had been bought, the pamphlets said. Whether it was because of this disagreement or the Government's purge, Juhaiman and 10 followers moved to Qasim in 1974 where they started preaching. At some point over the next two years the group bought a house in Riyadh and engaged in strident addresses in downtown mosques.

Accusations

Juhaiman's first pamphlet was published some time, it is thought, in early 1978, and was probably written and financed by a young man called Yusuf Bajunaid, the son of a rich Jeddah family of wholesale merchants. Printed on a press in Kuwait run by the sympathetic Jamiat Al-Islah (the Reform Group), it was headed "Rules of Allegiance and Obedience and the Corruption of Rulers" and argued that the Royal Family was wicked and corrupt ("They worship the riyal") and should be opposed. Juhaiman and 98 followers were arrested but held for only six weeks.

They were released through the intervention of Bin Baz and against their own promise of no further public assembly. Jhaiman went underground, travelling the country in secret and recruiting small cells in Dammam, Buraidah, Hail, Mecca, Medina, Abha, Tabuk and Jeddah. A new element, not usually associated with Arabia, entered Juhaiman's thinking. His sister dreamt that one of the Bretheren, a student from Riyadh's Immam Muhammad bin Saud Islamic University called Muhammad Abdullah Al-Qahtani, was the Mahdi who would redeem the world of corruption and herald its ending. The pamphlet, numbered three and dated in 1979, spelt out the doctrine of the Mahdi, who was to be named in the Grand Mosque amid violent opposition from existing powers. The group's intense belief in the traditions behind this doctrine goes some way to explain their dogged resistance.

The day chosen for the introduction of the Mahdi was the first day of the new Islamic century, November 21. According to one account, Yusuf sold some property in Jeddah to pay for arms which were collected on a black market fed in the north by surplus weapons from the Lebanese civil war and in the south by Aden and the Moscow-backed National Democratic Front in North Yemen.

As yet there is no evidence that the arms were supplied from external sources with an interest in the success of the revolt. The Ikhwan's firepower, as put on show by the Interior Ministry, consisted mainly of semi-automatic of Russian or East European manufacture but ranged from nickel-plated AK47s through the Saudi army sub-machine gun to Spanish shotguns and Yemeni cutlasses. All were, and still are, easily available among the bedouin.

At 5.30 am of Tuesday Muharram 1 1400 AH, the mosque's prayer leader, Sheikh Muhammed bin Suhayyal, came to the microphone to lead the dawn prayer. According to the tape recording, Juhaiman pushed him aside and started to reveal the Madhi. A guard who approached was shot. Pandemonium broke out as many of the worshippers, most of them Pakistanis, made to escape before the gates were barred.

The Government's initial response was both energetic and effective. Unaware of the extent of the revolt, all telecommunications with the outside world were cut off and a cordon tightened round the shrine area. In the course of the day C-130 transports were moved to bases in the north and south to be ready to collect men, while 600 of the Special Security Forces were brought in from Riyadh. Prince Turki Al-Faisal, the head of external intelligence, flew back from the Arab Summit in Tunis and assumed command; Prince Naif, the Interior Minister, and Prince Sultan, the Defence Minister, also hurried to Mecca.

It soon became apparent that the Brethren's following was limited to the men (and women and children) in the mosque, numbering around 250. With a battalion of National Guard, the SSF, and units of army and police ringing the mosque, the authorities felt the rebels would succumb to a frontal attack that might; the troops were also proving difficult to restrain.

All power had been cut off to the mosque. The troops advanced over floodlit grouond and were cut up badly by fire from the darkened upper stories and the seven minarets.

Strong pressure

Admittedly the Government was under severe pressure. A deeply distressed King Khaled, world Muslim opinion and the Saudis themselves pressed for a speedy despatch of the rebels. The authorities were also aware that every day the siege continued exposed them not only to Muslim criticism but to domestic discontent; a riot in the Shiite villages on November 30 pointed this weakness. At the same time, the Saudis were concerned about the fabric of the shrine and the mounting death toll.

In the next four days, a series of attacks were launched with little tactical care or coordination between the services. Troops and security forces were winched down from helicopters into the mosque courtyard by daylight; most of the 127 Government casualties were incurred then. The regular tribal officers of the National Guard were replaced by American-trained NCOs from Riyadh, whom they refused tot obey. Medical care at Mecca, according to doctors at the Armed Forces Hospital, was primitive in the extreme.

Despite ludicrously optimistic bulletins, the courtyard and the upper stories of the mosque were not in Government hands until the Sunday. The rabels took refuge in the unmapped cellars and retreats beneath the mosque, where their supplies had been stored. Prince Turki sought assistance from both the U.S. and France in dislodging them, but there is no evidence that non-Muslims were actualy present at the siege. It was not until December 5, two weeks after the siege began, that a mixture of American gas, piped water and burning tyres finally drove the 170 survivors of Juhaiman's band weeping into the sunlight.

Captives rounded up at the end of the mecca seige

THE MECCA SEIGE

JAMES BUCHAN

Saudi Bedouin surge round a water truck, part of the prize for the victor of the King's Cup Camel Race

A continuing struggle for emancipation

WOMEN'S ROLE

JOHN CLOSE

THERE IS joy among Saudi women. They now have their own banks, separate from tbose of men but equal.

Under Sbsria law, the Saudi woman is specifically permitted lo hold ber own purse strings but, cut off as she has been from the man's world of commerce, sbe bas often bad little control—let alone knowledge of ber financial affairs. Now, she csn not only go to the bank, but also get a job.

The kingdom's Labour and Workmen Law of 1970 says any company may hire a woman if it provides bere with maternity leave and a place to sit, and if her work does not entail dealing with men who are not privileged to see her unveiled.

In effect, this means that women have only been able to find legal jobs in teaching, social work and medicine. A bank run by and for women is withio tbe law in biring a Saudi woman.

It migbt be argued that economic independence for Saudi women will prove to be a weapon witb whicb to fight for emancipation, just as the Married Women's Property Act of 1859 led English women on to bigger and better things. Yet, for every step forward it ofteo seems there are two backward, the recent banning by the Ministry of Information of pictures of women in newspspers and advertisements being just one example.

For the upper class in the cities (the poor and the princesses are outside the realm of debate) private life is already surprisingly free of the segregation of which the two large drawing rooms in older houses is only a vague reminder.

Contradictions

Among the young, it is now the telepbone that breaches the wall. Many couples are practically on tbe point of betrothal by tha time they arrange to meet in a supermarket or bookstore or wben brothers and sisters bring them together. Without any official discussion of the future of women, the contradiction between public and private mores can only grow more stark.

There was unlikely to have been aoy addressing of tbe question by the royal family, even before it was reminded of the power of the rigbt when tbe Great Mosque in Mecca was seized by the baod of zealots, so violeotly opposed to corruption and other deleterious effects of contact with the West.

The Governmeot prefers not to enter the vacuum out of fear. If they were to allow their women out from behind closed doors, would that not be chaoging the nature of their Islam and, if they were no longer Islamic, what would they be?

How long the tissua of euphamism, spun in the silence, can hold, is not clear. For every tentative suggastion that change is welcome, there is ao often anonymous declaratioo that tradition and tbe teachings of Islam cannot be cootravened. Rational discussion, clouded by religion aod tradition, is virtually non-existent.

One of the fist atempts at coberent analysis of the two-career family came earlier this month from one Khairiah Al Saqqaf in Al Riyadh newspaper. She acknowledges the problem of "material independence wben a woman goes to work" whicb, she rather subtly declares, arises from male fear of female success.

"The man — as father, brother or husbsnd — used to his women but as son as the woman receives ber first pay-check this responsibility is taken away. He demands from his wife what she can ill afford to give. He sometimes feels himself entitled to his wife's money because she takes time out of household responsibilities.

Other problems arise wben the woman enjoys her material independence and spends money as she likes, regardless of her husband's will or mood. This leads to duels and tense relations. We have saen many a family collapse as a result of this."

The resolution, in her eyes, lies not in the woman's return to the bome but "in a proper spiritual awakening."

In a series of unsigned articles in defence of the veil — publisbed in the newspaper Al Medina, and allegedly written by a woman — the classic Saudi rebuttal to changa, that curious admixture of historical misinterpretation and blunt dialectical tools, is trundled forth: "Co-education at Islamic universities deprives women of their femininity, just as in tha West, where women are no more than beasts. Islam and the veil bestow honour and dignity on women.

"Anyone wbo reads the Old Testament can easily see that womeo veiled among the Hebrews. A woman's veil is ordained by God and tberefore there is no qustion of anyone holdiog different opinions on the subject."

There are those wbo would dare to demur. Though there are no banking courses offered for women in Saudi Arabia, the new women's banks have ben deluged with job applications. Some Muslim and some Western women have been hired to manage the banks and train their Saudi sisters.

One English woman, wbo is to manage a branch, reports tbat there is a kind of desperation to the eagernes with which Saudi women are learning the trade.

"They know they must succeed," she says, "or all those who are booing them on the sidelines will be proved right."

Bankers are just as eager for the new brancbes to do well. If they do not, it will not be for lack of resources, for the untapped field of women's finance is potentially vast. Sandi women are more involved in business than is immediately apparent.

It is the women of Jeddab's merchant families, for example, wbo are often behind the scenes at the scores of new boutiques and stores flowering across the city.

Mrs. Nabih Pharaon, married to a nephew of the venerable Royal Advisor, Dr. Rashad Pharaon, recently opened a store selling objets d'art hy Rosenthal. Mrs. Layla Yousuf Binladen opened an Yves St. Laurent bootique last year, with the backing of the king's daughter, Princess Husa bint Khaled. Their businesses are booming. Mrs. Binladen watched $597,000 worth of St. Laurent swept from her shelves in the store's first 14 days.

Nor are the women of the House of Saud reticent about dabbling in commerce. Princess Anoud bint Faisal, daughter of King Faisal, has her Aneud Trading Company. Princess Mardi bint Saud Mahmoud Al-Muqalran has her Al-Shark Commercial Establishment.

Princess Jawhara bint Khaled bin Muhammad bin Abdul Rahman, great grand-neice of King Abdul Aziz, the founder of the Kingdom, and wife of King Faisal's eldest son, Prince Abdullah, her second-cousin-once-removed, is a major shareholder in Saudi Arabian Amiantit, a highly successful corporation which manufactures fibreglass and asbestos piping.

Unsavoury

If it is undeniable that women control a great deal of money, there are those who wonder whether separate banks is really progress. "Separate" has rarely proved equal elsewhere in the world, and some feel it is a perpetuation of a rather unsavoury system.

With women relagated to separate universities, separate exits and entrances to buildings, separate train and bus compartments, forbidden to travel withoutw rittan permission from a male relative, and indeed, unable to take a walk without making a moral statement, the comparison to apartheid is inescapable.

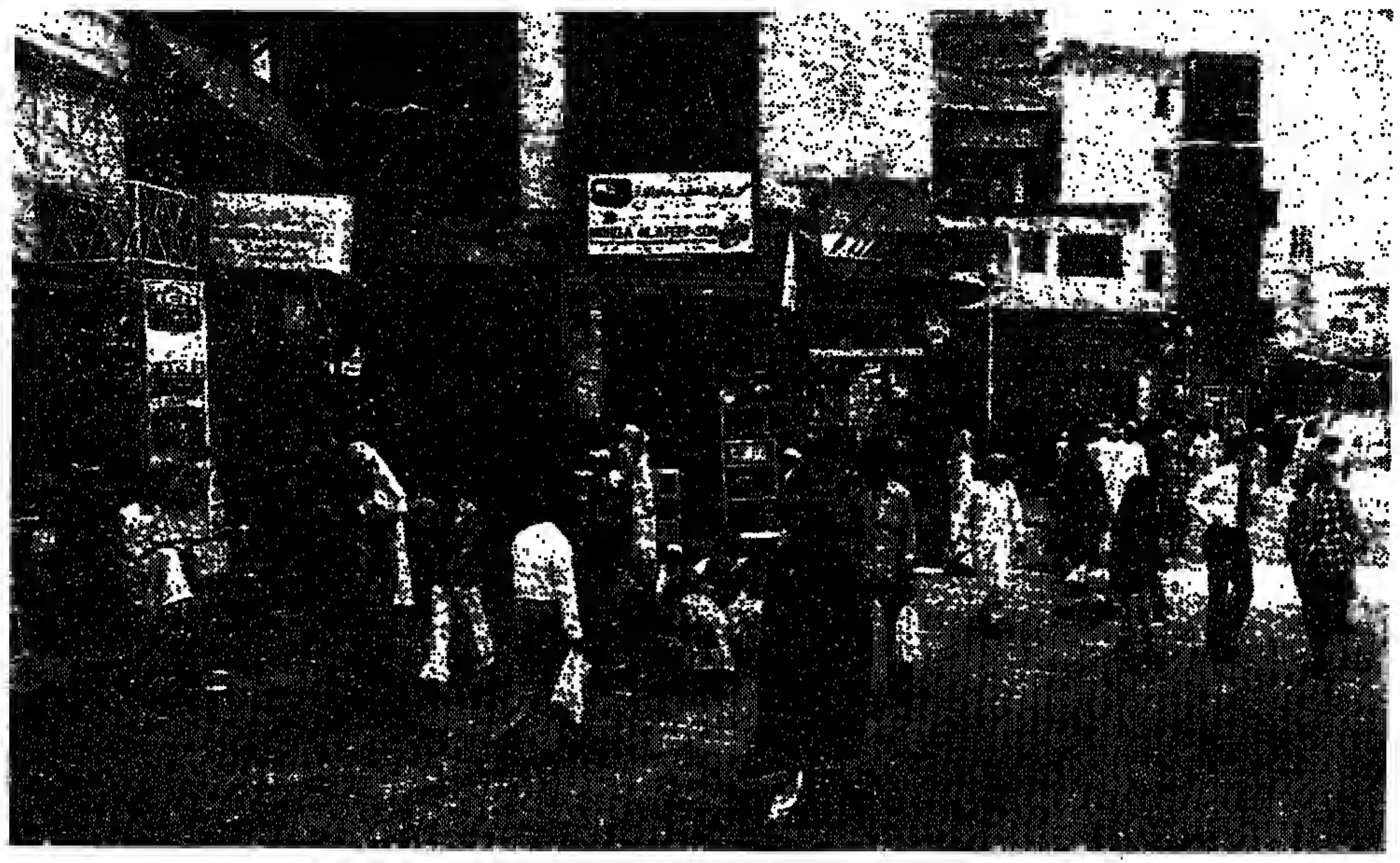
Nevertheless, the euphoria at the women's banks is almost palpable. Miss Razia Khan, operations officer at the National Commercial Bank's women's branch, opened hy King Faisal's daughter Princess Mishael, says: "The women can make transactions themselves and manage their own financial obligations without bothering the men.

"tI is very exciting to be working with them. They are all happy. We are all working very, very hard."

Many Saudi women have been working hard for almost 30 years. One such is Cecile Rouchdy, who, with the patronage of King Faisal and Queen Iffat, opened the first chool for girls in the last 1950s. Since then, a steady progression has carried women through intermdeiate, secondary school and finally to university and graduate study. There, the momentum has aficiolly halted but the energy and ambition of Saudi women continues to boil beneath the surface.

If one steps into the walled courtyard of a fashionable girls school in Jeddah and asks them what they plan to do when they return from California, they say, with a laugh: "We will work. They can't stop us now."

As they leave the school to step into their hrothers' Mercedes cars, they "cover" only with a black scarf tied around their necks.

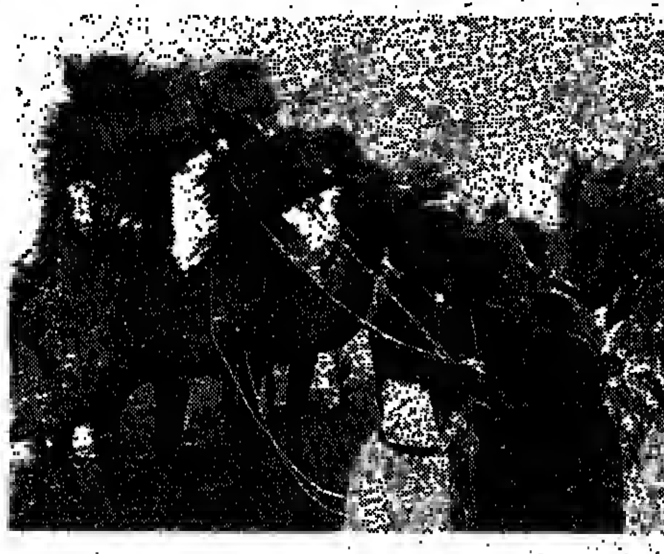


Veiled Saudi women, Saudi Yemenis and Europeans in a cosmopolitan street scene in the middle of Jeddah

Wildlife abounds but game animals are in danger

FLORA AND FAUNA

ROSALIND INGRAMS



A fine cluster of Nejdi camels

WHEN THE geograpby of Saudi Arabla is mentioned, Images of bostile and terrifying deserts come to mind—yet there are other and very varied regions in the vast Peninsula, suporting all sorts of life. Even in the deserts there is life.

There are still large mammals In Arabla, though far fewer now In the age of the motor vehicle.

Until about 40 years ago, beards of gazelle and oryx roamed and were freely hunted by the bedouln for meat.

Dougbty, in *Arobia Deserta*, reports oryx horns used commonly for tent pegs. Now, a bundred years later, these animals are extinct in the wild. Gazelles, have become extremely rare. Game animals, which rely for escape on speed alone, bave bad no chance against the motor car and the gun within it. The shooting of these animals is now illegal, but prohibition has come very late.

In a country wbere bunting has been part of the national thos protection of endangered species, enforcement of prohibitions, is problematic. The World Wildlife Fund has been anxious to interest the Saudi royal family in its aims. In 1976, the king mada a cootribution of £50,000 to its funds.

Ostriches were always favoorite game. Saudi Arabia's last recorded ostricb was seen io tha suq, in Jeddab, in 1946. However, lack of reported sigbtings need not always mean extinction. The people most likely to see rare animals—the Bedouin—have little scieotific curiosity. Ostricbes may yet survive in remote fastnesses.

Certain animals, reckoned to be axtinct, have recently been "re-discovered" from aerial reconnaissance flligbts, e.g. the ibex. Once common in all mountain areas, this noble animal has recently been seen again in the mountains of the Asir (south-western region) and tbe mountains north of Medina.

The Asir is ooe of the most beautiful and fertile regioos of Arabia. Its tremendous mountains catch rainclouds, and the rainfall is far higher here than elsewbere. Cultivated green valleys, orcbards, and even junlper forests are the result, with a consequent relative ahundance of flowers, birds and beasts.

Unsavoury

In spring, it is hard to believe that the alpine meadows of wild flowers are part of the same country as *Arabio Deserta*.

Mountain lion, leopard, lynx and wolf live in these mountains. The pelts of predators shot by farmers and shepherds are among the chief evidence for tbeir existence. Troops of baboons — the ooly monkey in the Peninsula — range the escarpment and are often seen by motorists.

One of the rarer of small mammals occurring in Asir is the coney, or byrax. A curious little creature, like a rabbit with no ears, it is the "coney of the rocks" of the Bible. Its delicate sweet flesb made it mucb sought after, and it is becoming very rare. Hares, foxes, and gerboas ahound. The hyena, however, is seldom reported now.

Herpetologists, of course, have a scientific paradise in Arabia, though most laymen go in mortal fear of snakes. Yet encounters with snakes are surprisingly few. The variety is enormous: from the common deadly horned viper, to the African cobra and the rare, beautifully marked and aptly named *coluber elegontissimus*; also the sinister side-winder, whose characteristic tracks in the sand make an upsetting discovery after a carefree night of camping under the stars. The monitor lizard (*dhub*) is a common sigbt in the desert, and can sometimes be seen waddling, the size of a baby alligator, oo the end of a string io the suqs of Najd. He is more likely to he bougbt for his meat, than as a pet.

Cbameleons lurk in the rocks of Asir, as do the striking hlue agama lizards—a foot long and with no attempt at camouflage.

As for the insect world: its members are legion: full-time entomologists are unable to keen pace with them.

The birds of Arahia are still being coonted too. The Peninsula lies in the path of major north-south migrations, thus the native population is always swelled by visitors.

The bird life is remarkably ricb: no book has so far done it justice, though several volumes are pending.

Of water hirds, the following selection can be found either along the sea shores, on the reservoir lakes at Abba and Jizan in the south-west, or by the sewage works, outside several big cities: pelicans, flamingos, glossy ibis, hammerkops, egrets, herons, black storks, shoveller ducks, tufted ducks, stilts and the ubiquitous moorhen.

Spectacular birds of prey include many eagles: tawny eagle, steppe eagle, Bonelli's eagle, and the rare Bateleur eagle (Asir). The fascinating Lammergeier ranges from Sinai to Yemen, whlie other birds of prey include Egyptian and Griffon vultures, fan-talled ravens incessantly wheeling over dizzy drops, kites, kestrels, falcons and gosbswks.

There are game birds: quail, snipe, red-legged partridges, plovers, Licbtenstein's sand grouse, Philby's chukors, guinea fowl (rare), and the Arablan bustard (*houbara*), almost extinct from over-hunting.

A few of the more beautiful and exotic birds, some native, some visitors, must be mentioned: the jewel-like sunbirds; the cheerful bee-eater, both the blue-cheeked and little green varity; the Abyssinian roller, with his startling turqnoise hlue body; a brilliant yellow weaver bird, whose immaculately woven nests are hooked on to the branches of oasis trees like Christmas decorations; Tristram's grackles; the sweet-voiced bulbul; the crested lark, singing in the wilderness; the shrikes, inquisitive and sadistic; the hoopoo, king of the birds (according to the Persians); the little Namaqua dove, with rosy underwings; and the rare Arabian woodpecker of Asir.

Wilfred Thesiger, describing his epic crossing of the Empty Quarter more than 30 years ago, recounts bow his Bedouin companions managed to bag hares, and of the wonderful prospect of eating meat after "iron rations."

The fact that hares can live at all in the pitiless environment of the sands seems astonishing. Most desert animals bave made certain metabolic adjustments, particularly in the matter of water, and need little intake, heyond their food—or they may adapt: the Arabian gazelle has even been seen to drink sea water.

The white gazelle, however, depends largely on a shrub wbose bnds hold moisture, even during drought. Such a close dependence can be fatal when the balsnce of nature is os precarious as it is now.

The mechanisation of today's bedouin—many now possess pick-up vans, if not a Mereedes lporry—has heen both a curse and a blessing for the environment and its wild inhabitants.

The curse is plain enough, yet, paradoxically, some animals may have been preserved since the bedouin will no longer track them down in impassable fastnesses.

The range of destruction is limited to the range of the vehicle, and there is much rugged country in Arabia which is beyond even the bedouin's optimistic driving. This undoubtedly has been the salvation of the ihex.

The restruction of the delicately balanced environment may prove a more long-term threat to wild life and to vegetation. Quite apart from the policy of drawing water from natural wells in the countryside to supply the ever-swelling towns—which leaves former green wadis such as Wadi Fatima near Jeddah to wither—there is the abuse of the remoter water holes in the desert.

Nomad families in the past would move according to the grazing. Nowadays they stay in one place for much longer, driving to the nearest well for water for animals and family. Consequently, the land becomes over-grazed and the well over-used.

When the nomads depart they leave behind an exhausted area, with diminished chances of recovering its bloom after the next rains. Thus, the desert is increasing rather than receding as a result of mechanisation.

While the Saudi Government has a difficult social and ecological problem in its policy of encouraging the bedouin to settle, it has made a real concession to conservationists in its recent declaration of Jebel Sonda, near Abha, as a National Park.

The Jehel rises to 9,000 feet and covers an extensive area. Its slopes shelter not only abundant animal life, but the richest variety of plants, wblcb are only now being studied propertly.

Yet the desert, too, has treasures after rain. Wild irises bloom ip April, in stony valleys north of Riyadh: tulips have recently been discovered high on the north face of the mountains facing Sinai, across the Gulf of Aqaba.

The specacular pink blossoms of *Adenium*, borne on grotesquely swollen woody stems, spring out of the barren rock of the southern Hejaz mountains. The tenacity of plant and animal nnder the ferocious conditions of Arabia always astonishes.

Marine life, perbaps more abundant than any other, can barely be mentioned here. The coral reefs of the Red Sea are (with the Great Barrier Reef of Australia) the most extraordinary in the world. The reefs are currently being studied by Sir Peter Scott, among others.

BY ANATOLE KALETSKY

Time to remove PSBR straitjacket

"CAN THE Government not trust public enterprises to a greater degree?" This rhetorical qnestion was posed by Professor John Heath of the London Business School in a recent critical lecture on the Government's nationalised industry policy. It crystallises a far-reaching debate that is about to begin in Whitehall between the State industries' managers and their masters in the civil service and Government.

Behind the technical grievances about casb limits and financial structures which a specially formed group of senior officials and managers is due to start thrashing out over the next few months, there is a simple message: in ordar to operate more commercially, the nationalised industries need "less control, and more trust."

Thia kind of *cri de coeur* has, of course, been beard from public sector managers aver since the State first began to play a serious rola in commercial enterprises after World War II. Politicians and, particularly, civil servants have traditionally resisted attempts to reduce the influence they can exercise over major industrial sectors. Nevertheless ,there are now signs of a willingness, at least among the politicians, to look sympatheticall yat the nationalised industries' case for a new relationship with Government.

It was aftar the Nationalised Industries Cbairmen's Group (NICG) put its views about the present system to the Chancellor of the Exchequer last autumn that it was decided to establish e high-powered group of officials and NICG representatives to examine possible reforms. This group, chaired by Mr. Bill Ryrie, the Treasury official in charge of the domestic economy, is due to meet soon. There are hopes of constructive proposals emergin time for the next round of public sector planning decisions in the antumn.

"Trusting" pnblic enterprises may go against the grain for some Conservative politicians, who bave been reared on the doctrine that state ownership of industry is a root cause of Britain's economlc decline. But there are other political considerations to weigh against this prejndice. There is the principle of non-intervention and the urgent need for better relations with tbe nationalised industries' manager. This was underlined by the recent resignation of Sir William Barlow, the Post Office chairman. Most important, there is the crucial role of the nationalised industries' commercial successes in the Government's spending plans.

The Government's plans to cut public spending by £2.8bn over the next four years assume an improvement of £2.7bn in the nationalised indnstries' financial parformances. The idea that the netionalised industries have "come of age" and will no longer rely on government grants and subsidies for their survival, clearly strengthens their case for demending more freedom and trust.

At tbe same time, acbieving reforms is more vital than ever since anxieties about governmant intarference have been intensified by the fact that the politicians' plans for tax cuts depend critically on unreliable four-year forecasts of tha corporations' borrowing requirements. These are based on no more than informed guesswork with a generons dose of wishful thinking thrown in to conform with assumptions which the Government has supplied. The corporations are horrified at the thonght of being beld to such projections at all costs.

These hopes end fears bind together the thre abroad areas of reform to be discussed by the Ryrie group. The nationalised industries are seeking:—

- An overhaul of the system of annual cash limits, which have in recent years over-ridden all other financial and commercial obffectives.
- A loosening of the restrictions on the industries' access to finance, which at present result in all investment programmes being funded by long-term fixed-interest debt.
- Changes in the treatment of tha industries in the public accounts, aimed at separating "productive investment" from other categories of pnblic spending and borrowing.

FINANCING THE NATIONALISED INDUSTRIES

	1979–80	1980–81 (£m)	1981–82	1982–83	1983–84
Total requirement	4,250	4,400	5,000	5,050	4,900
Total capital requirement	4,250	4,400	5,000	5,050	4,900
Overseas and market borrowing	−600	−50	−300	−300	−500
Government lending	950	150	300	−150	−550
Public dividend capital (steel)	950	550	—	—	—
Grants	1,000	800	700	650	650
Total external finance	2,300	1,450	700	200	−400

Source: Government's Expenditure Plans 1980-81 to 1983-84

The cash limits system is the issue which generates most passion at present. As long as all other objectives are subsumed to tha ettainment of rigid limits on each year's external financing, set well before the beginning of the financial year, other reforms affecting longer-term planning are of little relevance. In effect all the nationalised Industries are curerntly treated as if they were in receivership. Cash flow takes priority over profitability end any discrepancies in cash forecasting are turned into life-or-death crises.

It is now widely recognised that this system, designed for controlling civil service departments with no significant market operations, is unsatisfactory. Since the last pay round sbowed that cash limits heve little effect on pay bargaining, except in industries such as steel and shipbuilding, which are genninely facing bankruptcy, reforms of some kind must be in tha offing.

While casb limits are the most urgent issue, the question of tbe nationalised industries' place in the public accounts is in some ways the most important and interesting one. Although it would be in a sense, a purely cosmatic reform, he removal of the nationalised industries' borrowings from the definition of public spending could usher in a new era of freedom from the constraints of a financial aystem obsessed with tbe Public Sector Borrowing Requiremeot and with public spending totals.

The present definitions treat tbe borrowing of £100m to finance new telephone switchgear, for example, in exactly the same way es borrowing to pay civil servants' aalaries. Both are equally endangered by the Government's crusede to rednce the PSBR. But if restrictions on tha Post Office's borrowing powers restrain its investment programmes — and one of the raasons for Sir William Barlow'a departure was that they were beginning to bave this effect—they have exactly the same economic impact as cuts in domestic investment by private industry.

Not only do cuts in nationalised industries' investments reduce Britain's future capacity to provide the goods and services that consumers want to buy. They impose immediate costs on capital goods industries. The Government's refusal to increase the Post Office's cash limit by £150m, for example, will not only retard the improvement of the telepbone system, it will also mean cuts and redundancies at Plessey and GEC.

If ona of the objectives of cutting public borrowing is to belp private industry, then restricting the public enterprises' investment is like cutting off industry's nose to please its face, particularly as the nationalised industries account for over 20 per cent of Britain's industrial investment.

Nationalised industries account for over 20 per cent of industrial investment

The Government can be expected to heve some sympathy with the argument that a figure of public borrowing which excluded the nationalised industries' investment requirements might have more economic significance, particularly far tha "supply side" of the economy than the current form of the PSBR. Some ministerial speeches have already implicitly recognised this point. In explaining its plans for the privatisation of Britisb Airways, for example, the Government pointed to "the nonsense of confusing the airline'a investment programme with the level of the rate support grant."

There are, bowever, two blg problems with any proposal to remove nationalised industries from the definition of public borrowing. The first is that the industries do not use all their external financing for investment. Nearly half their present external financing comes in the form of government grants and subsidies. The Treasury must retain close control over the level of revenue grants. But the distinction between grants or loans to offset current losses on the one hand, and loans to finance productive investment on the other, is by no means clear-cut.

Controlling subsidies to the railways or the Coal Board would be pointless if they could aimply borrow in order to finance their losses. A crude distinction could be made between profitable industries, which could be released from some controls and loss-makers, which would continne to be closely monitored. But the totally different market conditions under which the industries operate would make this a misleading way of sorting the sheep from the goats. To give one example, even a large profit from the gas industry could disguise a waste of resources due to underpricing, whila the railways could be operating optimally in terms of resource allocation, aven while receiving large government subsidies.

There is, bowever, a possibla solution to this problem, based on the midum-term financial targets which the Govarnment has promised to set for each industry, in the light of its market position and its economic significance.

It would be natural to base the degree of government control imposed on each industry on its track record in meeting financial targets. If British Steel, for example, consistently failed to meet targets, it would be treated as a lame duck, and locked within the same definitions as other non-productive parts of tha public sector.

Industries that beat their financial targets over a period of years could be regarded as "productive" and taken out of the controls on public borrowing. Such a system would not only clarify the relationship between government and the industries, it would also provide an incentiva for good manegement and good labour relations, rewarding success with more trust and less control.

Such a system would provide an incentive for good management

The tronble even with this theoretically neat solution is that at present all nationalised industry borrowing ia done through the Treasury and guaranteed by the Government. Letting the "productive" industries loose on the capital markets, without Treasury supervisibn, would impose uncontrolled financial risks on the Government. Furthermore, the absence of risk in lending to nationalised industriea would distort capital markets in their favour, to the detriment of the private aector. This leads directly to the Ryrie group's other major topic—the possibility of devising new types of financial instruments for the public corporations.

A start has already been made in discussing alternatives to the present regime of fixed-interest borrowing. The privatisation of some of the corporations is, in a sense, a move towards new forms of financing. The British National Oil Corporation (BNOC) bas, from its inception, bad the freedom to borrow, without guarantees, using its future oil revenues as collateral. Proposals for building the Channel Tunnel and a North Sea gas gathering pipeline have been based on tha assumption that State industries would take aquity sbares in mixed private-public enterprises which could then raise risk capital in the markets.

But most of the nationalised industries' investments cannot be isolated as separete business propositions like the Channal Tunnel. The revenues of a telepbone excbange or a single railway line cannot be identified accurately. A proposal tbat has been mooted in the Coal Board is to issue indexed bonds, with tha index tied to the industry'e product.

Clearly reforms in financing would bave to be tentative and experimental so that each industry could develop financial instruments appropriate to its particular circumstances. Their intention would not be just to create some notional element of risk, but also to relate financing to each industry's prospective cash-flow. Again wbat the industries ara seeking is a more permissive attitude, which would put the onua for developing new ideas on managements, rather than on Treesury officials.

Even if they are given these new freedoms, the nationalised industries are by no means certain of their ability to deliver, by 1984, the enormous financial improvement which the Government expects. But at least a loosening of the bonds between government and the nationalised industries wonld emphasise the fact that the failure to meet detailed casb targets set four years in advance is a common commercial occurrence, and not a disastrous political and economic failure.

In the end it may be political expediencey wbicb prompts the Government to give tha state corporations more freedom. If so, then political expediency an deconomic sense would, for once, be pointing in the same direction.

Letters to the Editor

Consumerist values

From Professor D. Myddelton

Sir,—The last detailed survey I have seen indicates substantial and growing support for reducing taxes and collective spending on welfare services, and instead letting individuals and families choose for themselves how to spend their own money. For instance, 54 per cent wanted to be allowed to contract out of the state health service and 60 per cent out of state education. This desire for freedom, responsibility and personal choice is epparently whet Dr. S. J. Wetkins (April 24) refers to as "social vandalism."

Democrats can hardly suppose that voters cannot be trusted to manage their own affairs. And poverty can be relieved to the extent thought politically desireble, by explicit redistribution in casb through the tax system. But bow much of the nearly £2,000 per bousehold spent annually by the state on health, education and social security represents redistribution of income? Not much. I suspect most of it simply represents people's money beinz taken from them by force (in taxes), and then spent on their behalf by government bureaucrats.

Most people could afford to pay for their own welfare services. Indeed most people are now paying for themselves. But they are not being allowed the freedom to choose for themselves. There may be no practical elternative to taxes for financing collective expenditure on defence. But surely there is no inescapable ned for health and education, any more than food and clothing, to be provided or financed collectively. Separating costs from benefits is what makes the welfare state an irresponsible society.

When state monopoly enterprises are exposed to competition they often seem rapidly to lose markat share. This suggests that they may not be satisfying consumers. Over the past bundred years and more the incentive of profit combinad with the discipline of market competition bas led to unprecedented improvemants in freedom and prosperity for all. As between compulsory state collectivism and voluntary market freedom is there really any doubt which wonld better satisfy individual people?

(Professor) D. R. Myddelton.
Cranfield School of Management,
Cranfield, Bedford.

A meaningful class

From Mr. D. Franklin.

Sir,— Mr. Roy Hattersley says April 17 that "Government policies have resulted in damage of and destruction to essential services wbich ratepayers want to preserva and rate increases were not due to waste and extravagance by Labour councils."

Not one mile from Mr. Hattersley's home, the ratepayers of Lambeth support compassionate activities such as table tennis, kung-fu (adults), badminton, kep fit, karate, yoga and trampolining.

The most essential service recently introdnced by the borough, however, which even Mr. Hattersley would want to preserve, is the meaningful class in "liquid embroidery."

D. G. Franklin,
121, Kennington Road, SE11.

British cinema

From Mr. K. Turner

Sir,—There can be no doubt that Ken Maidment and the British Film Producers Association have worked ceaselessly in belping to keep open British studios and to secure a more fevourable climate for film investment, particularly in terms of tax treatment (Nigel Andrews, British cinema: a new decade, April 21). Similarly, their encouragement of overseas investment in our superlative technical facilities is to be applaudad.

But the outdeted belief that we sbould be making—and investing—in films designed for tha American market is a romantic notion which only perpetuates the widely beld view that film financing is bighly speculative. For too long the British conceived imitation of American films (known in the indnstry as "the $8m 'B' movie syndrome") bave failed consistently in the American domestic market although occasionally succeeding in foreign language markets almost exclusively supplied with American imports. The obvious reason is constantly ignored—Americans are better at making American films. Could it be that our common language with America deludes us into believing that we are likely to secure a greater degree of acceptance there than other non American films? hTe French film industry by comparison with the Britisb appears to be healthy and yet only a tiny proportion of their annual product reaches American screens.

The real possibility in establishing permenently the British cinema in this decade lies, I suggest, in Europe. This is the territory whera the cinema population is supporting a (well mada) film irrespectiva of nationality. It is notable that an indigenous British film now being prodnced has secured an investment from an American major distributor in return for foreign (i.e. non-American) distribution rights leaving unsold American domestic distribution rights.

Our native industry sbould consider making and investing in product which first and foremost bas every prospect of earning profits in Europe.

Keith M. Turner,
Director,
Osprey Film Dist. Ltd.
120, Pall Mall, SW1.

Water charges on sprinklers

From Mr. A. Powell

Sir,—On April 21 your insurance Correspondent detailed certain information relating to water charges on sprinkler installations with particular referenca to the Noth Western Water Authorities charges. Since we bave been campaigningagainst these discriminetory charges since they were imposed in April 1978 we thought that you might ba interested in industry's point of view.

On March 30 1978, we received from the NWWA a copy of the normal services eharges leaflet showing charges to be effective on April 1 1978, this gave us one day's notice of amendment of charges. No particular attention was drawn to the small print on the reverse side of the leaflet which indicated thet the charge for our sprinkler system and hydrant water supply was to be increased from £18.00 p.a. to a total of £1,203 p.a. an increase of 6,583 per cent. As far as we are aware there was no prior consumer consultation or notification direct to sprinkler system owners.

Although the NWWA is prepared to make available the facility and supply of water for use in case of fire to all other industrial, commercial and domestic premises (irrespective of whether the owner/occupiers actually pay any water cbarges) completely free of direct charge, it bas imposed penal charges on sprinkler installations and create da deliberate disermination. In our opinion based purely on the basis that firms with sprinklar installations cannot do without them.

The effect now is that, other than sprinklered premises, water for fire fighting is supplied free of direct charges so that any cost of this facility and supply is borne by the NWWA and recovered in the general water service charges. Owners/occupiers of sprinklered premises already pay the usual water services charges (including the element of water cost of fire fighting) and then are required to pay an extra water charge because they have installed at their cost a sprinkler installation to ensure the safety of their premises and its occupants.

The Secretary for State for the Department of the Environment has, under the Water Act 1973, specific authority to "give all or any water authorities directions . . . ." but in our opinion bas abrogeted these powers by inferring thet it is not within his power to mak eany such direction in this iostance.

The Water Act 1945 states "The undertakers shall allow all persons to take weter for extinguisbing fires from any pipe of the undertakers on which e bydrant is fixed, without charge." According to the 1945 Act, therefore, the charge raised on sprinkler installations is illegal since most sprinkler installations will "take water from a pipe on which a hydrant is fixed" and the Act does not state that the water must be taken via a bydrant. The Department of the Environment has stated that "the opinion in the water industry is that water must pass through a hydrant if it is to be taken free . . . based on the dacision in a 1904 case under similar provisions in the Waterworks Clauses Act 1847." The decision of tha 1904 case seems however to be quite opposite to the opinion of the weter industry and failing any precedent being produced appears to confirm that the charges on sprinkler installations are illegal. The Department of the Environment has not commented on our findings relative to the 1904 case.

The present position regarding aprinkler charges appears to be that on rcharges were £18 per annum prior to April 1, 1978; wee £1,203 per annum on April 1 1978, are to be £2,1t2 per annum from April 1 1980 but will be reduced to £680 per annum. If the full cbarges are not equitable as from April 1 1980 and are to be reduced, they were not equitable on April 1 1978 but so far there is no suggestion of a retrospective rednction. The owners/occupiers of sprinkler protected premises are not looking for a reduction in water charges on sprinkler systems; they are looking for a cancellation of the cbarges which cannot be considered other than deliberately discriminatory; that they be treated equitably as compared with all other users of water for fire fighting purposes and short of some evidence of legal precedence consider the charges raised by the NWWA to be contrary to the Water Act 1945 and therefore illegal.

Futura Rubber Ltd.,
Quarry Street Mills,
Staybridge, Cheshire.

Monetary policy

From Professor D. Wood

Sir,—In the process of debunking the Cambridge Economic Policy Group forecasts (April 17), Samuel Brittain perades one of bis own pet fallecies. Yes, we all admit that a moderate connection can be found between change in some variant of the money supply and changes in prices two ycara later. So wbat? Such a connection provides no evidence either that particular policies intended to control the bebaviour of given variant of the money supply will actually do so nor does it follow that success in controlling a chosen variant guarantees that this variant will dominate the determination of price levels—indeed tha reverse is likely to ba true.

The failure of Government policies to recognise these necessary connections is indeed signalled londly and clearly by the capital markcts. If policies had any credibility long term interest rates in a market which efficiently anticipates inflation would have already fallen to a fraction of short run rates, thus stimulating investment in productive assets and enhancing the long term capacity of the economy. Far from falling though, the anti-inflation measures bave increased long term rates and the Government, as Mr. Brittain has pointed ont, by borrowing at these high nominal rates must believe that inflation at similar levels will persist. Indeed it cannot afford for it not to. If only it would say so, firms could get back to investing without worrying as they do now that they could be stranded with a crippling real interest burden.

Belief in the ex-post quantity theory is thus not enough. We could establish a far better statistical relationship between cloudiness and the level of solar energy transmission but this would scarcely justify buying solar panels, even if Sir Geoffrey was kind enough to blow at the clouds. Ultimately a policy under which roadmakers are paid not to mend potholes so we can save the cost of tar is absurd wbether it is called monetarist or not. Of course the roadmakers could be sacked and made available for more productive work in the private sector (making shock absorbers!) but such an action could be taken without having to be dressed up in monetarist clothes.

(Professor) Douglas Wood.
Manchester Business School,
University of Manchester,
Booth Street West,
Manchester.

Today's Events

GENERAL

UK: Sir Geoffrey Howa, Chancellor of the Excbequer, speaks at Conservative Party meeting, Accountants' Hell, London.

Sir Keith Josepb, Industry Secretary, presents national microelectronics competition awards, London.

Mr. Peter Walker, Agriculture Minister, speaks at Sandwicb, Kent.

Department of Education statement oo falling secondary school rolls.

Mr. Edward Heath speaks at coal fired ships conference, London.

National Society for Prevention of Cruelty to Children annual report published.

Prince Charles visits the Home Office.

Banking, Insurance and Finance Union conference, Folkestone, (until April 30).

Charges for dealing in traded options on the Stock Exchange reduced to £1.50.

Private funeral of Sir John Methven, CBI director general.

Union of Construction, Allied Trades and Technicians statement on effects of Government cuts on construction industry.

Snbcontracting industries exhibition, and surface treatmant and metal finishing exhibition both open at NEC, Birmingham, (until May 2).

Overseas: Heads of Government of EEC summit meating in Luxembourg.

Financial Times conference on world pulp and paper, Halsinki.

General Agreement on Tariffs and Trade extraordinary session in Geneva to discuss appointment of director general.

Princess Margaret visits the Philippines (until April 30).

PARLIAMENTARY BUSINESS

House of Commons: First day of debate on Defence Estimates.

House of Lords: Industry Bill, committee. Insurance Companies Bill, consideration of Commons amendments.

OFFICIAL STATISTICS

Department of Trade issues March provisional figures for retail sales.

COMPANY MEETINGS

See Financial Diary Page 15.

COMPANY RESULTS

Final dividends: Allied Plant Group. Brooke Street Bureau of Mayfair. Energy Services and Electronics. Estates and General Investments. Foseco Minsep. B. and I. Nathan. Nurdin and Peacock. Simon Engineering. Waverley Cameron. Yorklyde.

UK COMPANY NEWS

London & Liverpool placing 1m shares

A placing has been arranged of 1m ordinary shares at 29p per share of London and Liverpool Trust, which earlier this month agreed to purchase for shares Regent Autocar Company, a private business with interests in engineering and vehicle distribution.

LLT's shares were suspended at 30p in March pending a company regulation. Dealings are expected to resume on Thursday.

The placing represents about 15 per cent of LLT's enlarged share capital, and the price puts a capitalisation on the company of £1.74m.

For the year ended March 31, 1979 the investment portfolio turned in profits of £41,000. Profits of Regent for the year ended September 30, 1979, amounted to £185,000 (£70,000) including £119,000 from the Hiatt acquisition.

The consolidated net tangible assets of the enlarged group is put at £1.06m or 17.6p per share.

The company is paying a second interim dividend of 0.7p for the year ended March 31, 1980 for a total of 0.84p on the old capital. For the current year the directors say they would pay not less than 1.4p on the increased capital if profits equated with those achieved in 1979-80.

The directors are confident that the diversified interests of the Regent Group together with the financial resources of the original company will provide a sound base for further expansion both by internal growth and by acquisition. They intend to realise the current investment portfolio of the company in due course.

The company chairman and chief executive is Mr. Ronald Shuck.

Financial advisers are Keyser Ullmann and stockbrokers are Roy James and Co., of Birmingham.

● comment

LLT is coming back to the market as a very different animal next Thursday. Taking in Regent, the old investment trust activities will now only account for barely a fifth of group profits. The move to enlarge the group reflects a belief that growth prospects under the old regime were extremely limited. Now LLT has taken in an engineering activity as well as a motor dealership. While these new profit centres clearly introduce much-needed diversification, it is significant that there is no profit forecast for the enlarged group. LLT says only that dividends will be increased if profits are maintained. The prospective fully-taxed p/e is about 15 at the placing price while the yield is roughly 7 per cent—a rating which puts a lot of faith in management.

Home Charm expecting record profit in 1980

RECORD SALES and profits in 1980 are forecast by Mr. H. E. Fogel, chairman of Home Charm, in his annual statement.

Sales since the beginning of the year, excluding new store openings, have increased by 25 per cent compared with the same period in 1979.

Pre-tax profits expanded from £2.11m to £2.79m in 1979, on substantially higher sales of £41.15m (£29.16m), as reported on April 16.

The chairman says plans to open a further seven stores totalling 164,000 sq ft before the end of 1980 are well advanced. A total of £4m will be spent in opening these, of which £2m will be for completing and developing freehold properties.

Three new large stores have been opened so far this year, including the group's largest to date at Southend-on-Sea.

During 1979, 15 stores were opened and some £4.76m was invested in opening and refurbishing stores, net of disposals, including £1.5m in freehold land and buildings.

The current year's outcome in the wholesale and export division should show a satisfactory improvement over 1979.

Group fixed assets rose from £3.31m to £7.6m at balance date. Current assets amounted to £10.78m (£8.64m), while current liabilities and provisions totalled £10.01m (£6.08m). Bank and cash balances decreased by £1.95m (£1.10m increase) during the year.

Meeting, Great Eastern Hotel, EC, on May 19 at 2.30 pm.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

Interim:—S. Lyles.

Finals:—Allied Plant, Brook Street Bureau of Mayfair, Energy Services and Electronics, Estates and General Investments, Foseco Minsep, B. and I. Nathan, Nurdin and Peacock, Simon Engineering, Waverley Cameron, Yorklyde.

FUTURE DATES

Interims:—

Hawkins and Tipson .... May 6
Warner Estate .... May 15

Finals:—

Fulcrum Investment Trust ...... May 7
Geers Gross .... May 0
Mowlem (John) .... May 1
Save & Prosper Linked Inv. Tst. May 1
Shires Investment .... May 20
Whatman Reeve Angel .... Apr. 30

Booker warns on steel strike

THE STEEL strike has increased costs in Booker McConnell's engineering companies, an dthe inevitably weakened customer confidence in the divisions ability to supply has to be overcome, says Mr. Michael Caine, chairman, in his annual statement.

Competition in a period of recession will be tough, and expansion of sales will be hard to achieve.

Although some of the group's business will prodce higher profits than in 1979, overall results will be determined by the success attained in engineering —where strengthening of order books is needed — and by the progress made in improving efficiency through rationalisation in food distribution following the acquisition of Kearley and Tonge, he adds.

Pre-tax profits were ahead in 1979 at £21.79m (£21.59m), as reported on April 1, the contribution from engineering falling from £9.21m to £5.86m. On a CCA basis, group taxable profits were reduced to £12.85m (£15.97m).

The directors, in their review of operations, say it is already clear the performance of the engineering division will again ha adversely affected by a national dispute. Although it is too early to quantify the cost of the steel strike, it has undoubtedly had a severe impact on the supply of raw materials.

During last year a major operational reorganisation was carried out in the food distribution division which should substantially enhance profits from 1980 onwards, the directors say.

Group net worth was up from £86m to £98.1m at the year-end. Total net borrowings increased by £17.3m to £27.7m.

A recent professional valuation of UK properties shows a figure £20.6m over balance sheet value.

GA pessimistic about current prospects in U.S.

THE GENERALLY milder weather in the UK this winter should produce better results in the motor and householder accounts of the General Accident Fire and Life Assurance Corporation claims Mr. Gordon R. Simpson in his first chairman's statement accompanying the 1979 report and accounts.

But he warns that further rating adjustments may still prove to be necessary as inflation in the UK continues to rise.

He is also pessimistic over the immediate prospects in the U.S. where severe competition and the inability to secure rating adjustments give cause for concern. Even so he considers that the strength of GA's American business makes the company better equipped to withstand these pressures.

Mr. Simpson points out that despite rising interest rates depressing the market values of bond portfolios in the U.S., the solvency margin at the end of 1979 at 52 per cent was only one point lower than a year earlier.

Referring to investment policy of the general insurance funds, Mr. Simpson reports that the largest proportion of new funds in the UK was invested in gilts, while in the U.S. new investment was oriantated towards fixed interest investments. But there was selective purchases of common stock.

On long-term business of Yorkshire-General total worldwide premium income last year amounted to £52.2m and the long-term fund at end-1979 amounted to £402.7m—an increase of £34.1m. There was a upsurge of new business towards the end of 1979 and this trend is continuing.

HOPKINSONS

On the basis of unaudited management accounts the directors of Hopkinsons Holdings expect trading profits for the year to February 1, 1980, will not be significantly less than last year's. In Friday's paper it was incorrectly stated that these profits would be significantly less.

Sunlight shows expansion to £1.31m

For 1979, taxable profits of Sunlight Service Group, laundries and dry cleaning company, improved by £0.24m to £1.31m. Turnover rose from £15.11m to £17.28m.

Mid-term profits were £459,000 (£377,000) and the directors said they expected a satisfactory increase for the full year.

Yearly earnings per 10p share advanced to 9.99p (8.83p) and the final dividend is 1.4p net for a 1.9p (1.345p) total.

A. & C. Black

A loss-making second-half for A. and C. Black left the publishing group with a sharply reduced pre-tax profit of £65,000 for 1979, compared with £340,000 on marginally higher turnover of £2.32m against £2.26m. At half-time, profits had dropped from £138,000 to £77,000.

The final dividend is cut from 3.39p to 2.79p net, which maintains the total at 5.93p per 25p share.

BIDS AND DEALS

Oppenheimer denies plan to bid for Gold Fields

BY PAUL CHEESERIGHT

Anglo American Corporation and De Beers Consolidated Mines the South African mining groups controlled by Mr. Harry Oppenheimer will not increase their holding in Consolidated Gold Fields of London beyond 29.9 per cent the trigger point for a mandatory offer.

A statement to this effect was made yesterday by Mr. Oppenheimer and Lord Erroll of Hale the chairman of Gold Fields. It was a clear attempt to quell continued market speculation that the ambitions of Anglo and De Beers would not be satisfied with their present combined holding of 25 per cent.

But Anglo and De Beers are seeking representation on the Gold Fields board. The statement said discussions on this point are taking place.

Although there is no conflict between the companies negotiations could be difficult in the light of the pained surprise with which Gold Fields greeted the original disclosure of the South African involvement.

The Oppenheimer stake in Gold Fields was purchased through De Beers which revealed in February that it had accumulated a strategic holding and exposed itself as the mystery buyer apparently active since last autumn.

The manner of the share purchases set off investigations by the department of trade and the stock exchange council.

Since then it has been widely thought that Mr. Oppenheimer's quickly given assurance that Anglo and De Beers would seek no change in Gold Fields management was little more than a polite formality. But the assurance was repeated in yesterday's statement.

The tenor of the statement suggests that Mr. Oppenheimer is satisfied with the present shareholding arrangement which has cost his groups over £150m and that it will prevent any other group seeking control either of Gold Fields itself or 0 fits 46 per cent owned affiliate Gold Fields of South Africa.

The prospect of a full take over offer has helped hold steady the Gold Fields share price which last Friday closed at 488p, compared with a 1980 closing high of 533p and a De Beers buying price last February of 616p.

MCALPINE/PRESS

Through its subsidiary—Colguy Holdings—Sir Robert McAlpine and Sons has bought through the market 6.67m William Press and Son shares (5.86 per cent). This trade investment in a company, whose activities differ from those of McAlpine, broadens its interest in the construction industry. McAlpine makes it clear that it has no intention of bidding for Press.

SEC GO-AHEAD FOR MARSH/BOWRING

Marsh and McLennan of the U.S., the world's largest insurance broker, states that its registration statement filed with the Securities and Exchange Commission in connection with its proposed acquisition of C. T. Bowring has received clearance and has become effective.

Offer documents are to be posted to shareholders of Bowring as soon as possible.

CONCORD INTL.

Hongkong and Shanghai Banking Corporation is raising its holding in Concord International Group to a controlling 51 per cent. The Philadelphia National Bank is also increasing its stake to 20 per cent, through a subsidiary Philadelphia International Investment Corporation. This is subject to approval of Federal Reserve authorities.

FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times:—

AVX Corporation (Section: World Markets—New York).
Anglo American Gold (World Markets—South Africa).
Berkeley Exploration (Oil and Gas).
Mitel Corporation (World Markets—Canada).
National Medical Enterprises (World Markets—New York).
Safeway Stores (Foods).

SPAIN

1980 High	1980 Low		Apr. 25 Price %
228	205	Banco Bilbao	210
258	220	Banco Central ...	226
220	209	Banco Exterior ...	206
228	205	Banco Hispano ...	205
137	125	Banco Ind. Cat. ...	125
175	145	Banco Madrid	146
274	239	Banco Santander...	248
190	141	Banco Urquijo......	141
238	209	Banco Vizcaya ...	215
209	200	Banco Zaragoza ...	200
106	83	Dragados	93
62	58	Espanola Zinc......	60
59	53.2	Fecsa	56.7
40	25	Gal. Preciados ...	27
65.7	58.7	Hidrola	63.7
63	57.5	Iberduero	48.2
120	104	Petroleos	104
73	59	Petroliber	59
115	107	Sogefisa	107
57	53	Telefonica	54
66.2	58.2	Union Elect.	63.2

WORLD TRADE NEWS

Oil tanker market tense after Iran crisis

By William Hall and Lynton McLain

THE EVENTS in Iran at the end of last week created a tense and uncertain oil tanker market, with some vessel operators reported to have forbidden their ships to enter the Gulf until the political atmosphere improves.

The disruption was widely expected to exaggerate still further the over-supply of tanker tonnage and depreciate charter rates.

Up to Friday morning, when the U.S. attempt to rescue the hostages was announced, rates in the Gulf had held generally at levels of the previous week. Tanker owners continued to resist accepting rates that did not cover current operating costs for the voyage. Charterers were unable to demand large cuts in rates.

Few tankers were chartered, partly because of the continued failure of Iran to supply foreign buyers in anything but small quantities.

The latest reports on Friday indicated that the USSR and her immediate neighbours would be the prime buyers of Iranian crude oil.

This is expected to affect the tanker chartering market particularly because of the likely surplus of Japanese very large crude carriers now operating between Iran and Japan.

Rates for these large tankers improved slightly at the end of the previous week and this continued into the early part of last week.

The last reported charter of a VLCC was at Worldscale 33.75, only a small decrease on the previous charter rate for the vessel.

The difficulties in the Gulf led to more active trading out of West Africa and the Mediterranean. Business out of the Caribbean and the U.S. Gulf was also active.

At a conference organised by the Greenwich Forum last week MP Peter Goodwin of the Economist Intelligence Unit forecast that the seaborne volume of high value cargo would rise from its current level of 100m tons a year to 300m tons a year by the year 2000. He also said that by the end of this century container ships would be carrying 80 per cent of the world's seaborne trade in manufactures.

He estimated that total seaborne trade would rise from 3,700m tonnes per annum in 1980 to 5,225m tonnes in 1990

UK boosts Greece trade

BY FRANK GRAY

THE LONDON Chamber of Commerce and Industry will send what it has described as "probably its most powerful trade mision ever" on a trade promotion visit to Greece between May 4-10.

The mission, led by Lord Jellicoe, the chamber president and chairman of Tate and Lyle, is anxious to redress what has been a steady decline in the UK's international competitiveness in the potentially lucrative Greek market.

The Chamber said in a statement released at the weekend that the need to make a strong impact on the Greek market "has never been more important." It said that the UK's share of the Greek market bad decreased in real terms since the Second World War. It was particularly anxious to see Britain begin the reversal of this decline prior to Greece's entry into the EEC next January 1.

"It is for this reason that this mission is being undertaken at the highest level," the Chamber said.

Mr. George Abbott, chairman of the chamber's Greek Committee, said Britain had "been far too complacent" in treating Greece as if it was continually liable to be written off as a serious trading partner.

"We have been forgetting that Greece is, first of all, an industrialising country which has to reach the status of an industrialised society.

"Our competitors have successfully participated in numerous joint ventures and investment opportunities and, by so doing, have generated considerable business for themselves."

The chamber indicated that, despite the decline in overall trade, Britain continues to enjoy a surplus, although the value of goods exchanged is small.

Britain's exports last year to Greece were £273m compared with £314.1m the previous year, while imports rose to £151.8m from £107.6m. Imports for the first two months this year were £48,000 compared with £30,000.

Among the other companies represented on the mission are British Rail, Davy Corporation, Rio Tinto Zinc, Fisons, Llewelyn-Daves Weeks, Racal and Hawker Siddeley.

W. GERMAN CAR MARKET

Why Japan performs so well

BY ROGER BOYES IN BONN

WHY ARE Japanese cars doing so well on the traditionally conservative West German market?

After years of little more than detached interest West German car manufacturers are becoming increasingly concerned by the question.

Japan's remarkable export success—its share of the West German car market has jumped from 1.9 per cent in 1976 to 5.6 per cent last year—has been subjected to surprisingly little analysis by local producers. There seems to have been a tendency to depend on straightforward explanations — the favourable yen exchange rate for example. As a result when Japan suddenly surges forward on the optics or hi-fi markets there is widespread amazement and alarm.

In fact, as the car surge in West Germany illustrates, the Japanese moves are far from sudden and follow the careful construction of marketing infrastructure and an equally scrupulous study of design requirements.

The Japanese strategy was actually charted in the early 1970s. At that time, Japan was an insignificant force on the West German market. In 1972, for example, Japan exported only 7,954 vehicles. Last year, it sold 147,868 cars, edging Italy into third place on the list and taking second place after France.

The sinking Yen — it fell some 30 per cent against the Deutsche mark last year — has clearly helped improve the price competitiveness of Japanese vehicles. But apart from this added bonus, the Japanese have been pursuing an effective development campaign.

In the first place, there has been a shift away from regionalised distribution and service networks in West Germany to more centralised and efficient operations. Toyota, for example, has invested DM 30m in a new Cologne base which incorporates a national spares depot, an administration centre and a training school.

This has allowed Toyota to speed its spares deliveries and has trimmed the cumbersome emphasis on centres in the regional states.

Other manufacturers, such as Datsun, bave also been centralising apd have been able to supply their models quickly during the past four boom years wben month-long waiting lists built up for some domestic cars.

After teething troubles the Japanese producers have adapted well to European standards and, specifically, to West German requirements. Honda tried unsuccessfully in 1966, for example, to launch the small model N-360. It promptly re-thought its strategy and introduced the compact Civic family car, which has been doing well.

As these trends have been clear over the past six years, why have the West German manufacturers been so sanguine about the Japanese? The answer seems to be that they view the car industry as a special case, unlike the West German optics, camera and the hi-fi markets, in which the Japanese appear to have been quicker at spotting a market gap and applying the relevant technology.

West German car producers estimate that the Japanese will be unable to reach much more than an 8 per cent share of the total market and that they will reach a sales peak in the mid-1980s.

But there seems to be little reason to accept that there is an in-built limit to Japanese growth.

Soviet-Peru aid pact

The Soviet Union and Peru have signed an agreement under which the Soviet Union pledged $300m worth of equipment and technical aid for the first stage of a hydro-electric and irrigation project at Olmos in northern Peru, Reuter reports from Moscow. Peruvian Finance Minister Javier Silva Ruete told a Press conference after the signing that the total cost of the project's first stage was around $1bn, of which almost one-third was coming from the Soviet Union.

Parkinson's Egypt visit to proceed

By Our World Trade Staff

MR. CECIL PARKINSON, the Minister for Trade, will go ahead with today's scheduled visit to Egypt which is to end May 4 despite the current Middle East crisis, a Trade Department official said at the weekend.

The Minister is visiting Egypt for talks on trade and economic matters with a view to encouraging growing commercial links between the UK and Egypt. During his visit he will meet with Dr. Hamed Al Sayeh, the Egyptian Minister of Economy and Foreign Trade, other key ministers and members of the British and Egyptian business community.

He is also scheduled to be present at the breakthrough into Sinai of the Ahmed Hamdi tunnel under the Suez Canal, being built by a UK/Egyptian joint venture company involving Tarmac International and Osman Ahmed Osman.

Accompanying him will be representatives of GEC, Guinness Peat International and Bodycote International.

UK exports to Egypt have fallen into a deficit for the first two months of this year, with exports valued at £53m and imports worth £91m. UK exports to Egypt were worth £265m last year and £206m the year before with imports at £235m and £162m for the same period.

World Economic Indicators

(INDUSTRIAL PRODUCTION)

					% change over previous year	Index base year
	Mar. '80	Feb. '80	Jan. '80	Mar. '79		
U.S.	151.2	152.4	152.6	152.2	− 0.7	1967=100
	Feb. '80	Jan. '80	Dec. '79	Feb. '79		
W. Germany	121.9	114.8	130.9	115.8	+ 5.3	1970=100
Japan	147.7	139.8	138.1	129.3	+14.0	1975=100
U.K.	110.4	111.9	112.5	112.2	− 1.6	1975=100
France	135.0	135.0	135.0	130.0	+ 3.8	1970=100
	Dec. '79	Nov. '79	Oct. '79	Dec. '78		
Italy	128.7	147.4	157.0	118.6	+ 8.5	1970=100
Holland	125.0	126.0	123.0	126.0	− 0.8	1970=100
Belgium	112.3	123.6	121.8	114.3	− 1.7	1970=100

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY FRANCIS GHILES

Suffering a bout of dollar indigestion

THE ABORTIVE U.S. attempt to reecue the American hostages held in Iran hit the Eurobond market at the end of a week where, at least in the dollar eector, growing signs of indigestion were becoming apparent. Secondary market prices were marked down Friday ½-1 point but dealers reported virtually no selling.

Some recent straight dollar issues, particularly those which investors feel are not of prime quality, suffered from lack of interest. This was the case with the $75m bond for McGraw Edison. Most underwriters were allotted more than three-quarters of the bonds they had underwritten, and some a full 100 per cent. The net result sent the issue into a six-point nosedive in early secondary market trading.

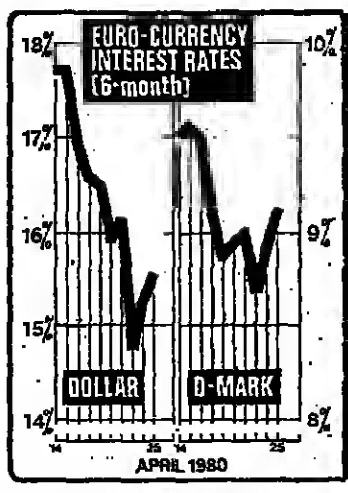
Other recent issues were also hit: the Dome Petroleum 13¼ per cent bond to 1992 shed more than two points to 96½-97 Friday, while the 13¾ per cent GTE bond to 1987 fell by close on two points to 96-½. Of those issues still on offer, the worst affected appeared to be the Bank of Montreal-Royal Trust 13¾ per cent issue to 1985, which was quoted at a discount of 2½-2 point in pre-market trading.

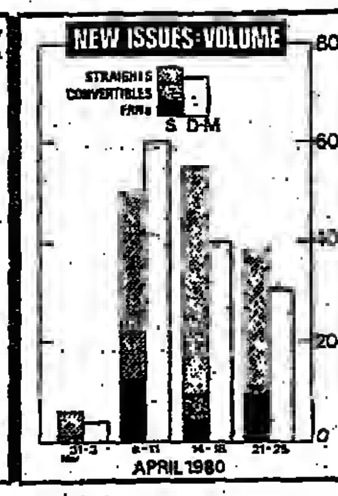
Monday - Wednesday when buying was still in evidence, investors concentrated on bonds in the shorter and medium term maturity range, encouraged by the sharp fall in Eurodollar rates. Last Wednesday alone, the six month rate fell 1⅝ to 14⅜ per cent. Thursday and Friday the rates rose again, the six-month one finishing the week at 15⅞ per cent.

Nine dollar issues totalling $380m were announced last week. This brings the total volume of dollar-denominated bonds floated since Easter to more than $1.5bn. One issue launched the week before, the 10¾ per cent convertible bond for Nicor, was increased by $10m to $50m.

The two striking features of the recent batch of dollar issues remain the very large proportion of fixed interest paper and the large presence of U.S. corporate borrowers. Attracted by the lower coupons they pay on Eurobonds against domestic U.S. ones, the good call provisions and the speed with which an issue can be arranged, they account for $570m of the dollar paper arranged since Easter.

Sovereign borrowers have also been much more to the fore, not least French and Swedish ones. The later have arranged $1.1bn equivalent of Eurobonds since the beginning of the year.





Contrary to conventional wisdom, floating rate notes (FRN) havealso performed very well, despite the widespread conviction among many investors that U.S. interest rates had peaked and the subsequent rush to buy fixed interest paper. A steady flow of new FRN issues has come into the market, three of them during the past week alone. FRN issues on which the coupon has been recently readjusted have fared particularly well

As Citicorp International points out in its latest weekly Investment Bulletin, the cost of carrying those FRNs whose coupon fix is still some months away has been correspondingly reduced. Investors are naturally reluctant to sell notes which are currently yielding considerably more than could be earned in a corresponding deposit.

The hard currency sectors were quiet last week, at least on the trading front. However, new issues are keenly sought and two Deutsche Mark issues were arranged, including a DM 250m private placement for the World Bank, through Deutsche Bank. This issue boasts the lowest coupon in this sector since mid-March, 9 per cent. Domestic German investors are keen buyers of foreign D-Mark bonds as they yield more than domestic ones, but according to Frankfurt dealers foreign buyers have been more to the fore of late.

The German Capital Markets Sub Committee, which met late Friday afternoon, was faced with the unenviable task of fixing the calendar of new D-Mark foreign bonds issues for the next four weeks. Last time it met a month ago it agreed on a calendar of DM 100 m, only to find market conditions improving so rapidly that DM 1.55bn worth of paper was eventually arranged.

A figure of around DM 400m is thought to have been agreed this time, although some German new issue managers point out that borrowers are in no hurry. Many of them are convinced that the coupons at which they can raise D-mark denominated bonds will continue to fall.

In the Swiss franc sector, where prices last week were little changed overall, the latest issue by Caisse Nationale des Telecommunications bears a coupon of 6¼ per cent, sharply down on the 7 per cent paid by Inter-American Development Bank.

CREDITS

BY PETER MONTAGNON

Iran shock waves shake confidence

THE SYNDICATED lending market greeted the news of President Carter's attempt to rescue the U.S. hostages in Iran with dismay. Any escalation of Middle East tensions is bad for confidence in international banking, even though the immediate effect for syndicated lending are likely to be limited.

As an initial reaction Eurobankers said they were likely to be even more cautious than before in lending to Eastern Europe and the Middle East. This could accentuate the flight into quality in the syndicated loan market, with still heavier interest for borrowings by prime rated European countries. The effect on borrowers in the Far East and Latin America should not be all that significant—unless the tensions escalate.

Against this background, discussions between Poland and the banks on a new jumbo Eurocredit promise to be tortuous, especially since bankers are already sceptical about the debt figures produced by the Polish Government at initial talks on Thursday.

Progress was, however, made last week with another problem country. Zaire agreed with about 125 banks to reschedule about $400m of uninsured syndicated commercial bank debt over 10 years at a split spread of 1⅞ and 2 per cent. The agreement is designed to avoid placing undue strain on Zaire, whose economic growth is contingent on it being able to finance imports of industrial spare parts and raw materials.

In another development, Venezuela is considering a jumbo credit of some $1.5bn-$1.8bn. This move was foreshadowed last month by Sr. Hernan Oyarzabal, Venezuela's Director of Public Debt, who said his country would move away from the pattern of short term borrowing established in the past. Citibank will coordinate the credit, for which Congressional approval was secured last year.

Aside from this, there are few signs at the moment of borrowers scrambling to take advantage of lower Libor rates. In its latest review of Eurobank lending, Amex Bank said activity in the first quarter was one-third below a year earlier. Thus far borrowers have tended to cut back borrowing or avoid pushing up spreads, it noted, though it adds that there could be a sharp reaction in mid-year as payments deficit pressures cause bank loan demand to surge.

This view is not shared by all participants in the market, many of whom point to the growing liquidity coming from increased banking deposits by OPEC countries. In addition, demand for credit is still patchy.

Ireland, for example, has decided against launching the $300m credit mooted by banks in the past few weeks. The country has already been able to raise substantial amounts on better terms through bilateral deals with individual banks, and does not need the additional funds at present.

In these circumstances, borrowers who are in the market continue to be able to raise large amounts—on relatively favourable terms. Spanish railways are raising $160m through Westdeutsche Landesbank at a spread of ⅝ per cent throughout.

Also in Spain, Iberia Airlines has signed a $135m, seven-year credit with a spread of ⅝ per cent throughout. Proceeds will be used to purchase aircraft, and additional finance is expected under an Eximbank guarantee. Managers are Midland and International Banks, Williams and Glyns and the Bank of Nova Scotia.

U.S. INTEREST RATES %

	Week to Apl 25	Week to Apl 18
3-month Bill	11.96	13.70
3-month Com. Paper	13.00	16.50
Fed. Funds Weekly average	16.27	18.15
Trass. 30-year bond	11.15	10.97
Lng-term AAA utility	12.00	11.88
Lng-term AA indust.	11.63	11.63

Source: Salomon Bros. estimates

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life Years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡GTE Finance NV (g'teed GTE Products)	50	1987	7	13½	100	Salomon Bros.	13.750
‖§American Medical Intl. NV	50	1995	15	8	100	S. G. Warburg	8.000
‡Portland General Electric NV (g'teed Portland General Electric)	50	1987	6	14¾	100	Dean Witter Reynolds	14.750
†Banco. Nacnl. de Mexico	40	1987	7	6¼⊕	100	CSFB	6.348⊕
‡§Nicor O'seas Fin. NV (g'teed Nicor)	50	1995	15	10¾	100	Goldman Sachs	10.750
‡Dome Petroleum	50	1992	8.7	13¼	99	Morgan Stanley	14.674
‡McGraw-Edison	75	1985	5	13¼	99¾	Goldman Sachs	13.572
Canadian Export Dev. Corp.	100	1987	7	12¾	100	CSFB	12.750
†Banco Pinto & Sotto Mayor	30	1985	5	6¼⊕	100	CSFB	6.864⊕
§Dynalectron (USA)	15	1995	10¼	9½	100	Dillon Read	9.500
Bank of Montreal-Royal Trust	50	1985	5	13¼	100	Wood Gundy	13.250
‡Swedish Export Credit Corp.	40	1985	5	12¼	99¼	Morgan Stanley	12.641
‡George Weston	30	1987	5.9	13¾	99¾	Hambroe	13.644
SNCF (g'teed France)	50	1985	5	12⅜	100	Continental Illinois	12.375
†Bilbao Intl. NV (g'teed Banco de Bilbao)	50	1990	10	5½⊕	100	Citicorp, Banco de Bilbao	5.833⊕
†Fujikura Cable Works (g'teed Mitsuki Bank)	15	1987	7	5½⊕	100	Yamaichi Intl. (Europe)	5.833⊕
D-MARKS							
Lonrho Intl. Fin. NV (g'teed Lonrho)	60	1987	7	9¾	99½	BHF Bank	9.904
‡**World Bank	250	1988	8	9	100	Deutsche Bank	9.000
FRENCH FRANCS							
Mexico	150	1985	5	14	100	Societe Generale	14.000
SWISS FRANCS							
‡**World Bank	100	1986	—	7	100	Credit Suisse	7.000
‡**Nippon Suisan (g'teed IBJ)	30	1985	—	7¼	100	Credit Suisse	7.250
‡**Council of Europe	20	1985	—	7¼	100	Banca del Gottardo	7.250
‡**Nichimo (g'teed Daiwa Bank)	20	1985	—	7¼	100	Handelsbank	7.250
‡**EIB	50	1986	—	7	100	UBS	7.000
‡**Kyokuyo (g'teed Daiwa Bank)	20	1985	—	7⅛	100	Credit Suisse	7.125
‡**Hydrocarbon Bank (g'teed Agip SpA)	100	1984	—	7	100	Soditic	7.000
Caisse Nationale des Telecommunications (g'teed France)	80	1990	—	6¼	100¼	SBC	6.181
CANADIAN DOLLARS							
‡Tordom Corp. (g'teed Toronto Dominion Bank)	30	1985	5	13¼	99½	Morgan Stanley	13.644
Canadian Imperial Bank of Commerce	50	1985	5	13¼	99½	Hambroe	13.644
GUILDERS							
**AmRo NV	60	1985	5	10¼	100	AmRo, KFTC	10.250
YEN							
Kingdom of Sweden	30bn	1992	10.9	9.4	99½	Nomura	9.732

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ‖ Postponed.
Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY DAVID LASCELLES

Markets display resilience

ALTHOUGH it faltered for a moment in the second half of last week, the spectacular rally in the credit markets is still alive. In fact, many traders were so encouraged by the resilience that the markets showed in the face of the potentially disastrous news from Iran on Friday that they were boldly forecasting a further rally this week.

Rates declined across the board last week, bringing Fed funds close to 14 per cent and producing strong gains in the value of notes and bonds. According to Salomon Brothers, the three-week rally in the bond market is "the sharpest and most widespread on record"

However, some clouds are gathering on the horizon.

One is the growing feeling that the Fed has allowed rates to fall too fast, and that it may be forced to check the decline in the days to come. Rates are so far out of kilter (the spread between CDs and the prime rate has widened from 1.5 per cent to 5 per cent) that there is a lot of catching up to do.

The U.S. Treasury will announce details of its quarterly financing this Wednesday, and it is expected to consist of $7.5bn divided equally between a short- and medium-term note and a long bond. Corporate borrowing plans are also swelling fast.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	86¾	87¼	−0½	−0¾	12.45
Alex Howden XW 9½ 91	30	†69	71	−0½	+3	15.26
Australian Res. 9⅝ 84	30	90½	91	−0½	−0¼	12.52

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin. 10¾ 86 C$	25	78¾	79¾	−0¼	+0¼	15.89
Bell Canada 10¾ 86 C$	60	88⅞	89¾	0	+1¼	13.33
Cr. Foncier 10¾ 84 C$	30	86½	87¼	+0¼	+0½	14.57

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Apr. 25	89.52	11.22	78.75	11.65
Apr. 18	89.12	11.22	78.50	11.66
High '80	91.03	(2/1)	89.19	(2/1)
Low '80	86.32	(2/4)	71.54	(29/2)

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	965.1	2,731.3
Previous week	881.7	2,422.2
Other bonds		
Last week	241.1	259.8
Previous week	299.2	294.5

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on April 25

WORLD STOCK MARKETS

NEW YORK

1980 High	1980 Low	Stock	Apr. 25
38¼	28⅞	BP.	29⅛
15⅝	13⅛	Brockway Glass.	14⅝
28¼	17⅝	Brown.	21⅛
42⅞	34⅜	Brown Forman B	63¼
97¾	21⅞	Brown Grp	23
30	21	Brown & Sharp	91⅛
17⅝	13⅛	Browng-Ferris	16¼
16¼	10⅛	Brunswick	10¾
23¼	15⅝	Bucyrus-Erie	18⅛
18⅝	16	Burlington Ind.	15
79⅝	54⅝	Burlington Nrthn.	57⅛
65¾	25¾	Burndy	28¾
86	62⅝	Burroughs	67
49⅛	34¼	CBI Inds	46¼
64¾	43¾	CBS	44⅝
70⅛	25⅛	CPC Intl	30⅜
36⅛	27	Campbell Red L.	31⅞
31⅛	25¼	Campbell Soup	37¼
37⅛	19⅞	Campbell Tagg	22⅛
18	13⅝	Canal Randolph	13⅝
46⅛	29⅜	Can. Pacific	31¼
95	12	Carlisle Corp	92⅛
37⅝	21	Carnation	29¼
35⅛	26⅝	Carp Tech	22⅞
18⅛	14⅞	Carter Hawley	16⅛
67¼	43¾	Caterpillar	46
46⅞	40¼	Celanese Corp	44⅛
47¾	28¼	Centex	31⅜
14⅝	11⅝	Central & SW	14⅛
91⅛	2⅞	Central Soya	11
35⅞	21⅝	Central Tel Util	24¼
15¼	11⅛	Certain-teed	13
39⅛	12⅛	Cessna Aircraft	14
1⅛	1	Champ HomeBld	1
27¾	12⅞	Champ Intl	20¾
10⅞	8	Champ Sp Plug	8⅝
43⅛	12	Charter Co.	22¾
41¾	34¾	Chase Manhattn	39
40⅝	33⅞	Chemical NY	36¼
23⅛	12⅝	Cheese Pond	25¾
33¾	25⅜	Chessie System	68¼
25⅝	17	Chicago Pneum.	17⅝
11⅛	6⅛	Chrysler	6⅜
52⅝	30⅞	Chubb	38⅞
37⅝	27⅛	Cincinnati Mil.	27⅛
24⅛	17⅛	Citicorp	19⅞
110⅛	83¼	Cities Service	89
18¾	14¾	City Investg	17
32⅝	29⅝	Clark Equipment	31⅜
37¼	96	Cleve Cliffs Iron.	26⅞
10⅝	8	Clorox	9⅞
9⅞	7⅛	Cluett Peaby	9
35⅝	28⅞	Coca Cola	33⅜
6¼	4	Coca Btl. NY	4⅝
14⅜	11⅝	Colgate Palm	12⅜
8¾	6¼	Collins Aikman	6⅛
63⅛	36⅛	Colt Inds	40¼

1980 High	1980 Low	Stock	Apr. 25
27⅝	22¾	Fieldcrest Mi	24¼
2⅝	9¼	Firestone	6⅞
39⅛	32¾	1st Bank System.	34¾
17⅞	10⅞	1st Charter Fin.	13¼
15⅝	11⅛	1st Chicago	18⅞
42	32⅛	1st City BankTex	39⅝
41	32¾	1st Int Banc	37¼
37⅛	21¾	1st Mississippi	27⅞
33⅝	94⅞	1st Nat. Boston	28⅛
9	4⅛	1st Penn	5⅞
6¾	6⅜	Fisons	2
9⅛	6⅛	Fleetwood Ent.	5¾
16⅝	14⅛	Flexi-Van	12⅝
27⅝	21¾	Florida Pwr & L.	97
35¾	23¼	Ford Motor	24⅝
27¾	20⅝	Foremost Mck.	23⅞
30	24⅛	Foster Wheeler.	26¼
42⅞	30¾	Foxboro	32
11¼	6¼	Franklin Mint	9¼
73¼	32⅜	Freeport Minl.	36¾
30⅞	23⅜	Fruehauf	23⅞
11⅝	9⅛	GAF	9¼
40¾	24⅝	GATX	27⅝
37¾	20⅛	GK Technologies	24⅛
38⅛	29⅝	Gamble-Skogmo	34
47⅞	39⅛	Gannett	41¼
22⅞	22⅝	Geico.	25⅝
15⅞	11¼	Gen Am Invest	12¼
23⅜	16	Gen Cinema	18¾
84¾	58⅞	Gen Dynamics	68¼
66¼	44¾	Gen Electric	47
3¼	2⅛	Gen Exploration	2⅝
33⅞	23⅜	Gen Foods	27
53¼	39⅝	Gen Instrument.	46⅝
26⅛	19⅛	Gen Mills	22⅝
53⅝	32⅝	Gen Motors	43
19	12⅛	Gen Portland.	13⅝
2¼	4⅛	Gen Pub Utilities	3⅛
27	75	Gen Reinsce.	81
39⅝	25¼	Gen Signal	34¼
22⅛	23	Gen Telep Elec	26⅝
23⅝	19⅛	Gen Tire	14¼
4¼	2¾	Genesco	3
84¾	19¼	Genuine Parts	20⅛
33⅛	22⅛	Georgia Pac.	24⅛
65	43	Geosource	37
96⅛	17⅞	Gerber Prod.	18⅛
25¾	68⅛	Getty Oil	77
39	19⅛	Giddings Lewis	21⅛
25⅜	18⅞	Gillette	21⅜
54¾	37⅝	Global Marine	49⅛
21⅝	12⅛	Goodrich (BF)	19⅛
14⅝	10⅞	Goodyear Tire	11⅝
26¼	91⅝	Gould	22⅛
43¾	33¼	Grace	34⅝
39⅞	95⅛	Grainger (WW)	26⅛

1980 High	1980 Low	Stock	Apr. 25
30⅝	31	McDonnell Doug.	33¼
30¾	91⅞	McDonough	69⅝
31⅛	21	McGraw Edison.	24⅛
30⅜	24⅝	McGraw-Hill	87⅝
14⅛	7⅛	McLean Truckg.	7⅛
28¾	20⅛	Mead	22¾
22¼	21	Media Genl.	23¼
39¾	55¼	Medtronic.	60¾
29⅝	99	Mellon Natl.	28⅛
30⅜	23⅛	Melville.	27⅝
19⅜	10⅛	Memorex.	12
40¾	30¾	Mercantile Strs.	32
74⅜	60¾	Merck	57¾
41⅛	32	Meredith	34¼
95¾	17⅜	Merrill Lynch	19¼

1980 High	1980 Low	Stock	Apr. 25
33⅞	16¼	Ryan Homes	19
26⅛	15¼	Ryder System	19
25⅝	12⅜	SFN Companies	21¼
37⅛	94⅝	SPS Technology	28
37¾	31⅛	Safeco	32⅛
39¼	27⅞	Safeway Stores	29⅝
51	36	St. Joe Minls.	40⅛
71⅝	49¼	St. Louis-San F.	58
42	31	St. Paul Cos.	35⅝
36¾	25¼	St. Regis Paper	27⅝
71¼	48¾	Santa Fe Inds.	54⅛
46¼	30⅛	Santa Fe Intl.	33
8⅝	5¼	Saul Invest	5⅛
8⅛	4¼	Saxon Inds.	4¾
36⅞	99⅛	Schering Plo	34⅞

Indices

NEW YORK—DOW JONES

	Apr. 25	Apr. 24	Apr. 23	Apr. 22	Apr. 21	Apr. 19	1280 High	1280 Low	Since Cmpil'n High	Since Cmpil'n Low
◆ Industr'ls	803.58	797.12	789.25	789.85	759.13	763.40	303.84 (13/2)	759.13 (21/4)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	70.79	70.22	70.34	69.97	69.83	69.67	74.01 (9/1)	63.87 (28/3)	—	—
Transport.	241.19	240.99	243.72	243.45	255.20	968.17	305.89 (8/2)	253.99 (27/3)	305.90 (2/2/80)	12.23 (8/7/32)
Utilities	108.56	108.07	108.15	107.87	105.24	106.68	113.46 (13/2)	96.04 (27/3)	163.32 (20/4/69)	10.52 (28/4/42)
Trading Vol 000's	28,538	35,790	42,820	47,820	27,560	36,890	—	—	—	—

◆ Day's high 806.74 low 786.35

Ind. div. yield %	Apr. 18	Apr. 11	Apr. 3	Year ago (approx
	6.10	6.59	6.30	5.78

STANDARD AND POORS

	Apr. 25	Apr. 24	Apr. 23	Apr. 22	Apr. 21	Apr. 18	1280 High	1280 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	118.18	117.06	116.27	116.02	111.64	112.44	134.47 (13/2)	111.09 (27/3)	134.64 (11/1/73)	3.52 (30/6/12)
§Composite	105.16	104.40	103.76	105.43	99.89	100.55	118.44 (13/2)	98.22 (27/3)	125.86 (11/1/73)	4.40 (1/6/3)

	Apr. 24	Apr. 15	Apr. 2	Year ago (approx
Ind. div. yield %	5.77	5.65	5.74	5.08
Ind. P/E Ratio	7.15	6.99	7.14	8.71
Long Gov. Bond Yield	10.66	10.48	11.64	9.11

N.Y.S.E. ALL COMMON

Apr. 25	Apr. 24	Apr. 23	Apr. 22	1980 High	1980 Low
59.73	59.38	58.95	58.74	67.77 (13/2)	55.30 (27/3)

Rises and Falls	Apr. 25	Apr. 24	Apr. 23
Issues Traded	1,828	1,843	1,921
Rises	652	1,015	1,077
Falls	797	492	487
Unchanged	372	336	357
New Highs	—	2	12
New Lows	—	12	15

MONTREAL

	Apr. 25	Apr. 24	Apr. 23	Apr. 22	1980 High	1980 Low
Industrial	346.04	347.94	347.48	345.87	423.90 (29/2)	323.21 (27/3)
Combined	317.90	379.68	319.54	317.65	378.80 (28/2)	296.80 (27/3)
TORONTO Composite	1849.4	1843.8	1830.7	1813.3	2182.9 (29/2)	1702.5 (27/3)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
IBM	406,700	55	+1⅜	Benguet	322,800	9⅜	—
Kerr McGee	381,200	67⅞	−3⅝	Boeing	326,300	37⅛	+¾
Mobil	369,600	72⅝	+1⅜	Virginia Elec.	317,100	11⅜	—
Texas Utilities	366,200	18	−⅛	Caesars World	314,900	15⅞	+⅝
Amer. Home Prd.	345,600	25⅛	+⅞	Texaco	313,700	45⅝	+⅝

	Apr. 25	Apr. 24	Apr. 23	Apr. 22	1980 High	1980 Low
AUSTRALIA						
Sydney All Ord. (1958/59)	(c)	780.28	773.58	777.90	847.47 (14/2)	760.90 (2/1)
Metals & Minls (1958/59)	(c)	4733.96	4700.84	4535.51	5980.95 (14/2)	4581.28 (28/3)
AUSTRIA						
Credit Aktien (2/1/62)	68.28	68.57	68.58	68.45	68.42 (7/1)	67.45 (11/4)
BELGIUM						
Belgian SE (31/12/63)	95.77	96.04	96.49	95.81	106.75 (11/2)	90.14 (31/3)
DENMARK						
Copenhagen SE (1/1/73)	77.94	78.07	78.45	78.81	88.74 (2/1)	74.78 (5/3)
FRANCE						
CAC General (29/12/61)	102.20	105.7	104.1	105.8	117.60 (22/2)	97.1 (5/1)
Ind Tendance (28/12/78)	99.60	100.1	100.3	99.2	109.70 (13/2)	95.90 (5/1)
GERMANY						
FAZ-Aktien (31/12/58)	220.66	221.73	222.14	220.54	238.88 (25/2)	212.75 (28/3)
Commerzbank (Dec. 1953)	694.70	697.6	699.6	694.2	746.2 (25/2)	657.2 (27/3)
HOLLAND						
ANP-CBS General (1970)	60.20	81.8	82.4	61.9	87.8 (11/2)	74.0 (27/3)
ANP-CBS Indust. (1970)	63.00	64.5	65.6	66.6	69.2 (11/1)	58.2 (28/3)
HONG KONG						
Hang Seng Bank (31/7/64)	854.19	898.37	844.88	840.12	865.77 (15/2)	738.9 (19/3)
ITALY						
Banca Comm. Ital (1972)	(c)	94.99	94.42	94.38	96.31 (26/2)	85.11 (2/1)
JAPAN						
Dow Average (16/5/49)	6904.21	6850.61	6845.66	6799.01	6904.61 (25/4)	6475.95 (27/3)
Tokyo New SE (4/1/68)	465.92	466.10	465.22	462.46	472.65 (14/2)	449.81 (19/3)
NORWAY						
Oslo SE (1/1/72)	119.41	119.77	120.87	119.22	144.70 (14/2)	110.12 (26/3)
SINGAPORE						
Straits Times (1966)	487.15	473.55	471.53	467.78	504.11 (6/3)	428.75 (6/1)
SOUTH AFRICA						
Gold (1958)	672.4	639.2	519.4	611.4	604.3 (8/3)	585.8 (4/1)
Industrial (1958)	487.7	481.2	478.9	480.9	517.2 (14/2)	456.0 (29/1)
SPAIN						
Madrid SE (28/12/79)	95.75	96.15	96.69	97.31	105.29 (21/2)	95.78 (25/4)
SWEDEN						
Jacobson & P. (1/1/58)	394.14	394.72	388.92	395.29	395.98 (8/2)	334.72 (17/1)
SWITZERLAND						
Swiss Bank Cp. (31/12/58)	295.90	296.2	292.1	294.5	317.9 (11/2)	294.3 (22/4)
WORLD						
Capital Intl. (1/1/70)	128.4	—	—	128.4	143.3 (13/2)	120.5 (27/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

CANADA

HOLLAND

HONG KONG

JAPAN

ITALY

NORWAY

SWEDEN

SWITZERLAND

FRANCE

AUSTRALIA

GERMANY

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

SINGAPORE

SOUTH AFRICA

BRAZIL

TEL AVIV

INSURANCE

Drink-drive law reform

BY OUR INSURANCE CORRESPONDENT

THREE OUT of four motorists killed on the roads on Saturday nights are found to have excess alcohol in their blood. Close on one in every two drivers in their 'teens and twenties, killed on the roads at whatever time of day or night, are found to have excess alchohol in their blood.

These incontrovertible statistics emphasis that reform of our obsolete drink-driving laws is long overdue. They were mentioned last week by the Deputy Chief Constable of Staffordshire when advocating that police should have the power to make random tests.

At present, by virtue of the 1967 Act, police powers are limited to testing motorists suspected of being under the influence. The policeman must have a reasonable degree of suspicion before stopping the motorist.

In the seven years following the introduction of the then more rigorous drink-driving laws of the 1967 Act it is reckoned that motoring fatalities were reduced by around 5,000.

But as the years went by, legal loopholes were found and then widened. It is generally thought that more motorists now drive after drinking than did before the breathalyser rules were introduced 13 years ago.

Reform of the law to allow random tests and perhaps to include other long-standing recommendations pigeon-holed since 1974 might now well reduce in any year the number of road fatalities by 1,000 and the number of serious injuries by 25,000.

The cost of these deaths and injuries, first to insurers and then to the premium-paying public, is considerable. At current levels of damages, a minimum of £35m to £40m seems to be involved—about 5 per cent of the motor market's annual claims payout.

So all motorists have a positive financial interest in the introduction of sterner drinking-driving laws as soon as possible.

This financial interest has been increased in recent months by "judicial legislation" in a number of fatal accident claims brought before the courts.

Currently, in insurance and legal circles, there is a deal of discussion over whether damages should be awarded for loss of earnings for "lost years" in fatal claims and if so what the extent of those damages should be.

Some of the legal decisions such as *Gammell v. Wilson* (reported in The Times on April 2) and *Kardella v. British Airways Board* (1980) 1 ALLer 341 are at present subject to appeal to the House of Lords, so the legal dust has yet to settle.

The legal arguments are complex and need not concern us here but if current judicial views are upheld on appeal, it seems likely that the cost of most fatal claims will rise substantially.

Some insurers are predicting an increase of 25 per cent in a full year in the overall cost of motor fatalities and this, in current compensation terms, may well add another £20m to the bill.

This week in Parliament

TODAY

COMMONS — Debate on Defence Estimates.

LORDS—Industry Bill, committee stage.

SELECT COMMITTEE — Treasury and Civil Service. Subject: Budget and Public Expenditure White Paper. Witness: Sir Geoffrey Howe, Chancellor of the Exchequer. (Rm. 15, 4.15 p.m.).

TOMORROW

COMMONS — Conclusion of Defence debate.

LORDS—Industry Bill, committee stage. Motion to approve Apple and Pear Development Council Order 1980. Import of Live Fish (England and Wales) Bill. Debate on action to prevent destruction of BBC Scottish Symphony Orchestra.

SELECT COMMITTEES—Environment. Subject: council house sales. Witnesses: Leeds city council (Rm. 16, 4.15 p.m.).

WEDNESDAY

COMMONS — Employment Bill, completion of remaining stages. Consideration of Lords Amendments to British Aerospace Bill.

LORDS—Debate on quality of Post Office service. Local Government Grants (Ethnic Groups) Bill, second reading. Debate on provisions which enable legal aid to be obtained in care proceedings before juvenile courts.

SELECT COMMITTES—Education, Science and Arts. Subject: information, storage and retrieval in the British Library Service (Rm. 6, 10.30 a.m.). Welsh Affairs. Subject: role of Welsh Office and associated bodies in developing employment opportunities in Wales. Witnesses: TUC Wales (Rm. 16, 10.30 a.m.). Energy. Subject: Government's statement on new nuclear power programme. Witnesses: National Nuclear Corporation, Nuclear Power Company (Rm. 8, 10.45 a.m.). Industry and Trade. Subject: follow-up to the Expenditure Committee report on measures to prevent collisions and strandings of noxious cargo carriers in UK waters. Witnesses: Mr. Norman Tebbit, Under Secretary for Trade, Department of Trade officials, Hydrographer of the Royal Navy (Rm. 15, 10.45 a.m.). *Public Accounts*. Subject: carry over of funds at end of financial year. Witness: Sir Frank Copper, Permanent Under Secretary, Ministry of Defence (Rm. 16, 4 p.m.). Employment. Subject: legal immunities of trade unions and related matters. Witnesses: TUC (Rm. 15, 4.30 p.m.). *Social Services*: Subject: Public Expenditure on Social Services. Witnesses: Dr. Gerard Vaughan, Minister for Health, officials of the Department of Health and Social Security (Rm. 8, 4.30 p.m.). Welsh Affairs. Subject: role of Welsh Office and Wales.

THURSDAY

COMMONS—Debate on reports by Public Accounts Committee.

APPOINTMENTS

Board changes at Thomson British Holdings

THOMSON BRITISH HOLDINGS, the principal UK subsidiary of International Thomson Organisation, has made the following appointments: Mr. W. M. Brown and Mr. J. Evans have been appointed joint deputy managing directors. Mr. G. C. Brunton remains managing director and chief executive. Mr. C. N. D. Cole and Mr. J. H. Sauvage have been made directors. Mr. Cole, managing director and chief executive of Thomson Regional Newspapers, has become chairman and chief executive of that company, and Mr. Sauvage remains chairman and chief executive of Thomson Travel. Mr. I. M. Clubb will join the headquarters staff of Thomson British Holdings as financial director, reporting to Mr. Brown. In addition, Mr. Clubb becomes chairman of Thomson North Sea in succession to Mr. Brown, who remains a non-executive director.

*

Mr. Tim K. Poyser has been appointed to the Board of STEPHENS AND CARTER and will be responsible for hire operations.

*

Mr. Bert Mellor has been appointed financial director and joint managing director of IDEAL-STANDARD. As financial director he replaces Mr. Ray Pipes, who recently took up a corporate position in New York with parent company American Standard Inc. In his capacity as joint managing director, Mr. Mellor succeeds Mr. Colin Wise, now based in Brussels with Ideal-Standard Europe.

*

Mr. A. J. Archer has been appointed a director of ALEXANDER HOWDEN UNDERWRITING from May 1. He will become underwriter of Marine Syndicate 868/35 on July 1.

*

MERCHANT INVESTORS ASSURANCE COMPANY has opened a branch in Leeds with Mr. Barrie Moore as branch manager.

*

Mr. Geoffrey Bannister has been appointed a director of HARRIS AND PARTNERS.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
ASR. Savoy Hotel, WC. 11.00
City and Foreign Invest. 117, Old Broad St., EC. 2.30
North Surrey Water. The Causeway, Staines Middlesex. 11.00
Scottish Eastern Inv. Tst., 29, Charlotte Square, Edinburgh. 12.30

BOARD MEETINGS—
Finals:
Allied Plant
Brook Street Bureau of Mayfair
Energy Services and Electronics
Estates and General Investments
Foseco Minsep
Nathan (B. and I.)
Nurdin and Peacock
Simon Engng.
Waverley Cameron
Yorklyde
Interim:
Lyle (S.)

DIVIDEND & INTEREST PAYMENTS—
Anglia Television A 2p
Bank of Nova Scotia 35cts
Canadian Imperial Bank of Commerce 85cts
Coronation Syndicate 30cts
Green (R.) Properties 0.7p
LWT A Ord 8.9886p
Macallan-Glenlivet 2.25p
New Equipment 0.8895p
Norfolk Capital 0.7p
North Surrey Water 5.5pc Ord. 1.75pc. 3.5pc (fmly. 5pc) Ord. 1.75pc. 7pc Ord. 3.5pc. 4.9pc A Ord. 2.45pc. 4.9pc B Ord. 2.45pc
Robeco (Reg. in others names) Fl 0.9
Toronto Dominion Bank 34cts
Tweefontein United Collieries 54.7776p
Wiggins Construct 0.95p

TOMORROW

COMPANY MEETINGS—
"Investing in Success" Equities. Regis House, King William St., EC. 10.45
Ratcliffs (Great Bridge), 75, Harborne Rd., Birmingham. 3.00
Solicitors' Law Stationary Society. The Savoy Hotel, WC. 12.00

BOARD MEETINGS—
Finals:
Alpine Holdings
Bunzl Pulp and Paper
English National Investment
Gordon (Luis)
Lazard Brothers Sterling Reserve Fund
Petrocon
Roberts Adlard
Tarmac
Interim:
Pochins

DIVIDEND & INTEREST PAYMENTS—
Amber Day 0.9p
Blundell-Permoglaze 8½pcPf. 2.275pc
Camellia Investments 8p
Channel Islands and Intnl. Inv. Tst. Income 50p
Cowan de Groot 10½pcPf. 5.25pc
Greenfields Leisure 1.51p
Photo-Me-Intnl. 3.15p
Walker (James) Goldsmith and Silversmith Ord. and NV Ord. 1p
Western Mining Corpn. 7cts

WEDNESDAY, APRIL 30

COMPANY MEETINGS—
Badulipar Tea. 12, Carlos Place W. 3.30
City and Commercial Inv. Tst., 117, Old Broad St., EC 12.00
East Lancashire Paper Group, Civic Hall, Thomas St., Radcliffe. 11.30
Garton Engng., Park Hall Hotel Park Drive, Goldthorn Park, Wolverhampton. 12.00
Lambert Howarth Group, Crest Hotel, Burnley 12.00
London Intercontinental Tst., Hill House, 1, Little New St., EC. 12.00
Mackay (Hugh), Royal County Hotel, Durham City. 12.00
Midland Bank, 20, Aldermanbury EC. 12.00

BOARD MEETINGS—
Finals:
Ayrshire Metal Products
BAT Industries
Gerrard and National Discount
Harrison (T. C.)
Hendersons (P. C.)
Jessel Toynbee
Smith St. Aubyn
Stanley (A. G.)
Telephone Rentals
Turriff Corporation
Whatman Reeve Angel

DIVIDEND & INTEREST PAYMENTS—
Airfix Ln. 3¼pc
Allied Farm Foods Deb. 8pc
Amatil Pf. 3¼pc
Amber Day 10½pcPf. 4.83pc
Armour Tst. Ln. 5¼pc
Ashbourne Invests Ln. 4¼pc
Associated Dairies Deb. 3¼pc
Associated Electrical Deb. 3pc
Aveling Barford Deb. 5¼pc
Babcock Industrial and Electrical Prods. Deb. 5¼pc
Barlow Rand Pf. 5pc
Bath 11¼pcRed. 1985 5¾pc
Bath and Portland Ln. 3¾pc. 7¼pcPf. 2.7125pc
Batleys of Yorkshire 10pcPf. 5pc
Beattie (James) Deb. 5¼pc
Bishopsgate Tst. Deb. 2¾pc
Blackwood Hodge 6pcPf. 2.1pc
Blundell-Permoglaze Deb. 3¼pc. Ln. 3¾pc
Boulton (William) 8½pcPf. 2.975pc
Brascan Pf. Class A Cnv. 30cts
British-American Tobacco 6pcPf. 2.1pc
British Columbia Electric Perp. callable Bds. 2¼pc. Perp. callable Bds. Series AD 2¼pc
British Land Ln. 8pc
Brixton Estates Deb. 5¼pc
Brown and Tawse 7pcPf. 2.45pc
Bruntons (Musselburgh) 4.81p
Burgess Products 6pcPf. 2.1pc
Burmah Oil 6pc 1st and 2nd Pf. 2.1pc. 7¼pcPf. 2.5375pc. 8pcPf. 2.8pc
Castors 7½pcPf. 2.625pc
Cement Roadstone 2.8p
Chemring 4.9pcPf. 2.45pc
Clark (Matthew) 7pcPf. 2.45pc
Clay (Richard) 1.9p
Clutsom-Penn Intnl. Debs. 3¼ 3¾pc
Consolidated Gold Fields 7.5p
Crowther (John Edward) 5pcPf. 1.925pc
Davenports Brewery 5pcPf. 1.75pc
Dow Chemical 40cts
Dundee and London Inv. Tst. 5pcPf. 1.75pc
Dunlop 5¾pcPf. 2.0125pc. Deb. 2¼ (72-82)pc
ERF 10pcPf. 5pc
Ellis and Everard Deb. 3¾pc
English Electric Deb. 3¼pc
English Property Corp. Deb. 4 15/16pc Ln. 3¼pc. Ln. 6pc
Estates Property Inv. Deb. 3pc. Ln. 3¾pc
Excalibur Jewellery 0.56p
FMC 4.4pcPf. 2.2pc. 5.45pcPf. 2.725pc
Findhorn Finance Ln. 8¾pc
Fisons Debs. 3 5¼pc
Foreign and Colonial Inv. Tst. Ln. 3½pc
Garton Engng. Ln. 4¼pc
Goldman (H.) Ln. 4¾pc
Gordon Hotels 5½pcPf. 1.925pc
Grand Metropolitan Hotels (Scotland) 5pc Pf. 1.75pc
Greenfields Leisure 10pcPf. 5pc
Guildhall Property 6pcPf. 2.1pc
Hanimex Corp. 4cts
Heinz (H.J.) 4½pcPf. 1.575pc
Herbert (Alfred) Debs. 3¾pc
Heywood Williams 8pcPf. 2.8pc. Deb. 3pc
Howden Debs. 3¼ 4¼pc
Hudson's Bay 30cts
Hume Inv. Tst. Lns. 2¾ 2¾(8)pc
Howood 7pcPf. 2.45pc
ITT Distributors Deb. 5½pc
Imperial Group Lns. 5.45 5.75 4 5.25pc
"Investing in Success" Equities 3.85p
Islington 12¼pcRed. 83-84 6¼pc. 12¾pc Red. 86-87 6¼pc
Jackson (William) 7½pcPf. 2.625pc
Johnson Matthey Deb. 3¾pc
Kensington and Chelsea 11¼pcRed. 85-87 5¾pc
LRC Intnl. Ln. 4pc
Lamont 6pcPf. 2.1pc
Land Securities Inv. Tst. Debs. 3 3¾pc
Latham (James) 8pcPf. 4pc
Lawtex 1.875p
LASMD Production Units 30.9805p
London Shop Prop. Tst. 0.95p. 5½pcPf. 1.925pc. Ln. 3¼pc
London Trust Debs. 1¾ 2 2¼(78-83) 2¼(83-88)pc
Lonrho Lns. 4 4(Cov.)pc
Lookers 2.45p
Low and Bonar Ln. 8¼pc
Lowe (Robt. H.) 6pcPf. 2.275pc
Macanie (London) Lns. 3¼ 3¾pc
Mackinnon of Scotland 7¼pcPf. 3.625pc
Marchwiel 9pcPf. 4.5pc
Marley Deb. 3¼pc
Massey-Ferguson Ln. 3¼pc
Menzies (John) Deb. 3¼pc
Metal Closures 6pcPf. 2.1pc
Miller Rayner and Haysom 10pcPf. 5.5pc
Newarthill 8¼pcPf. 2.8875pc
North (James) Ln. 5¼pc
Phicom 0.55p
Plessey Connecters Deb. 3¾pc
Portsmouth and Sunderland Newspapers 8pcPf. 2.8pc
Priest Marians 6pcPf. 2.1pc
Radio and Allied Deb. 5¼pc
Rank Hovis McDougall Ln. 3 5/16pc
Raak Organisation Ln. 5¾pc
Ransome Hoffman Pollard Ln. 4pc
Renwick 8.9pcPf. 2.45pc
Rosedimond Inv. Tst. 5.45pc
Saga Holidays 2.75p
St. Helens 11¼pcRed. 1985 5¾pc
St. John D'el Rey Mining 10pcPf. 30cts
Samuel (H.) Debs. 2¼ 3¾pc
Scottish and Newcastle Breweries 5½pcPf. 1.925pc. 7¼pcPf. 2.7125pc
Scottish Inv. Tst. Debs. 2 2¼ 2¼ 2¼(75-80)pc
Shaw Carpets 10pcPf. 5pc. Deb. 4¼pc
Shiloh Mortgage Finance Deb. 5pc
Southern-Evans Deb. 4pc
Stelberg 5pcPf. 1.75pc
Tate and Lyle Ln. 8¼pc
Texaco Intnl. Finl. Corp. Ln. 2¾pc
Tozer Kemsley and Millbourn Ln. 4pc
Transamerica Corp. 28cts
Triplevest Income 5.095p
Truman Deb. 2pc
Trusthouse Forte Debs. 3.125(84-89) 5.125(85-90) 3.825 4.55 5.25pc
Valor 5¼pcPf. 2.825pc
Westminster and Country Properties 1p. Ln. 4pc
Westpool Inv. Tst. Ln. 2½pc
Whittingham (William) 4p. 7½pcPf. 2.825pc. Ln. 4pc

THURSDAY, MAY 1

COMPANY MEETINGS—
Allen Harvey and Ross, 45, Cornhill, EC. 12.30
Beatson Clark Hallam Tower, Sheffield. 12.30
Dickie (James) (Drop Forgings), Victoria Stamping Works, Somerset Rd., Ayr. 12.00
Montford (Knitting Mills), Grand Hotel, Leicester. 12.00
Ransomes Sims and Jefferies Nacton Works, Ipswich. 5.00
Woodhouse and Rixon, Tapton Hall, Shore Lane, Sheffield. 11.45
Yorkshire Chemicals, Kirkstall Rd., Leeds 12.00
Yule Catto, New Bond St. House, 1, New Bond St., W. 12.00

BOARD MEETINGS—
Finals:
Boot (Henry)
Davies and Newman
Guardian Investment Trust
Highcroft Investment Trust
Martin-Black
Mowlem (John)
Newarthill
Save and Prosper Linked Inv. Tst.
Shiloh Spinners
Walker (J. O.)
Interims:
United Wire
Wemyss Investment

DIVIDEND & INTEREST PAYMENTS—
APV 3.18pcPf. 1.575pc. 4.55pcPf. 2.275pc. 5.25pcPf. 2.625pc
American Medical Intl. Inc. 20cts
Anglo American Gold Invest. 380cts
Anglo American Industrial Con. 72.5cts
Aquis Securities 0.5p
BET Omnibus Services 5½pcPf. 1.925pc
Bahia (S. of) 5pcGoldLn. 1904 (Plan A Int. now 1½pc) 2½pc
Bailey (C. H.) Ord. and B 9.4p
Baltic Merc. Shpng. Exch. Deb. 1¾pc
Banro Consolidated 5pcPf. 2.5pc
Bassett (Geo.) 7¼pcPf. 2.625pc
Bell Sime 5pcPf. 1.75pc
Birmingham 15pcRed. 1983 8½pc
Boulton Paul 5½pcPf. 1.925pc. 5pcPf. 1.75pc. 7pcPf. 2.45pc
Bristol Variable Rate Red. 1982 £8.05. 3½pcPerp.Db. 1¾pc. 7¼pcRed. 1979-81 3¾pc
Britannic Assurance 7.35p
British Electric Traction Db. 2¼pc
British Gas 3pcGtd. 1990-95 1½pc
British Inv. Tst 5.25pcPf. 1.8375pc
British Mohair Spinners 6pcPf. 2.1pc
British Shoe Con. 6½pcPf. 2.275pc
C. A. Cavendus Sociedad Financiera Fltg. Rate Dbs. finally Due 1988 SUS57.34
Cameron (J. W.) 5pcPf. 1.75pc. 6pcPf. 2.1pc
Cantors Ord. and A 025p
Chase Manhattan Cpn. Notes 2 7/16pc
Citicorp 55½cts
City Investing 57½cts
Coates Bros. 4½pcPf. 1.575pc
Continental Illinois Cpn. 40cts
Cornell Dresses 0.8p
Courage Dbs. 3½ 3¾pc
Crouch 1.075p
Delgety Db. 2¼pc
Daniell Breweries Db. 2¼pc
Dickie (James) (Drop Forging) 2.458p
Dominion General Tst. 5pcPf. 1.75pc
East Lancashire Paper 5.15p
Edinburgh Inv. Tst. Db. 5¾pc
Electric Genl. Inv. Db. 2¼pc
Ellerman Lines 8¼pcPfd. Ord. 2.1875pc. 4½pcPf. 1.575pc. 5½pcPf. 1.925pc
Esso Petroleum Db. 2¼pc
Ferranti 5.85pcPf. 1.925pc
First Scottish American Tst. Db. 1¼pc
Fanding Ln. 8¼pc 1885-87 3½pc
Furness Withy 5pcPf. 1.75pc
General Stockholders Inv. Tst. 5½pcPf. 1.925pc
Glaxo Ln. 3⅞pc
Gossard 5½pcPf. 1.925pc
Gt. Northern Inv. Db. 2¼pc
Greek 7pc Refugee Ln. 1924 (Assd. with Accept. Certs.) 5½pc. Stlg. Fdg. Bds. 1965
Guaranteed 4½pcBds. 2¼pc
Habit Precision Eng'g 0.55p
Hambros Inv. Tst. Db. 2¾pc
Hardys Hansons 5pcPf. 1.75pc. Db. 2pc
Hellenic General Trust Db. 2¼pc
Henekeys 7½pcPtg.Pf. 2.625pc
Hungarian 7½pcStlg.Bds. 1924 (Enf. Bonds) (assd. to London Settlements) 3¾pc
International Inv. Tst. Db. 2¼pc
Investment Tst. Guernsey 8.5p
Islington 10pcRed. 1982-83 5pc
King Shaxson 5pcPf. 1.75pc
Leeds Fireclay Db. 2pc
Lewis (John) Props. Db. 4 1/16pc
M and G Extra Yield Fund 3.1p
Marks Spencer 10pcPf. 3.5pc
Marshalls (Halifax) 10pcPf. 5pc
Maynards 1.875p
Merchants Trust Db. 2pc
Mills Allen 6½pcPf. 2.275pc
Mixconcrete 2.5p
Montreal 3pcPerm.Db. 1½pc
Moorside Tst. 5pcPf. 1.75pc
Newman 10pcPf. 5pc. 10¼pcPf. 5.125pc
Northern American Tst 3½pcPf. 1.75pc. Db. 1¼pc. Ln. 2¼pc
Norwich 3pcRed. 1½pc
Nottingham 5pc 1½pc
Pentland Invest. Tst. Dbs. 1¾ 2pc
Pentos 8½pcPf. 1.575pc
Pernambuco (Recife) (C. of) 5pcGtd.Ln. Bds. (plan A Int. 1¾pc) 2¾pc
Platignum 6pcPf. 2.1pc
Port Londonderry 3½pcCons. 1¼pc
Property and Revisionary Invest. Corp. 5pc Pf. 1.75pc
Raine Engng 0.288p
Ratcliffes (Gt. Bridge) 1.5p
Reading 3½pc (1976 or after) 1¾pc
Reckitt Colman Db. 5¾pc
Reed Publishing Dbs. 1¼ 3¼pc
Reliance Knitwear 1.54p
St. Andrew Tst. Db. 1½pc
Scottish Agricultural Secs. 13pcDb. 1979-99 6½pc. 5½pcDb. 1963-95 1¾pc
Scottish Invest. Tst. 3.5pcPfd. 1.75pc. 3.85pcCum.Pfd. 1.925pc. 4.55pc A Pf. 2.275pc
Smith (W. H.) Db. 2¾pc
South Africa 9½pcRed. 1979-81 4¾pc
Southampton Harbour Bd. 8½pcRed. 1982 5¼pc
Southwark 15pcRed. 1980-81 7½pc
Stock Exchange Anns. (£4.25) 1.0675pc
Stockholders Inv. Tst. Db. 2½pc
Tate of Leeds 1.25p
Thurgar Bardex 0.8p
Trans-Oceanic Tst. 5pcPf. 1.75pc
Treasury In. 6¾pc 1995-98 3¼pc
Trieios 20pcPf. 7pc
Tonnel 3.85pcPf. 1.925pc. 3.5pcPr. 1.75pc
Union Cpn. 24.718752p
Union Intl. 7pcPf. 2.45pc
Uruguay 5½pcBds. (Assd. Bds.) 1¾pc
Vaux Breweries 7pcPf. 2.45pc. 4½pcA Pf. 1.575pc. 8½pcA Pf. 2.275pc
Warley 7¼pcRd. 1978-80 5¼pc
Watney Mann Truman Db. 5 9/16pc. Ln. 2¼ 4 1/16
Webster (Samuel) Deb. 2¼pc
Whitbread 4½pcPf. 1.575pc. 6pcPf. 2.1pc. 7pcPf. 2.45pc. Deb. 2¼pc
Wigan Inv. Debs. 2 2¼pc
Wrighton (F.) (Assoc. Cos.) 5½pcPf. 1.925pc
Youngs Brewery Deb. 3¾pc

FRIDAY, MAY 2

COMPANY MEETINGS—
Banro Consolidated. Belfry Hotel, Wishaw Sutton Coldfield. 12.30
Clarke (T.) The Savoy Hotel, WC. 12.00
Montagu Boston Inv. Tst., 117, Old Broad St. EC. 12.00
Noble and Lund, Felling Gateshead. Tyne and Wear. 10.00
Oliver (George) (Footwear), Marrayfield Rd., Braunstone, Leicester 12.00
Ryan (L.) Park Hotel, Cardiff. 12.00
Spencer (George), Wimborne House, Bar Lane, Basford, Nottingham. 12.00
Turner (W. and E.), St. Crispins Way Thormaston Way, Leicester. 12.00

BOARD MEETINGS—
Interims:
M. and G. Group
Westward Television

DIVIDEND & INTEREST PAYMENTS—
Allen Harvey and Ross 11.5p
Arncliffe 1.54p
Beatson Clark 5.4p
Black (Peter) 1.47p
Ductile Steels 2.1187p
Falcon Mines 150cts
General Mining and Finance Corp. 75cts
Hall Engng. 3.9p
Montford (Knitting Mills) 5.725p
Needlers 2.5p
Noble and Lund 0.245p
Rockwore 4.32p
Walker (Thomas) 9.1675p
Yule Catto 1.2p

COMPANY NOTICES

SELECTED RISK INVESTMENTS S.A. NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders of Selected Risk Investments S.A. will be held at its registered office at 10, Boulevard Roosevelt, Luxembourg, at 11 o'clock a.m. on 16th May, 1980, for the purpose of considering and voting upon the following matters:

1 To accept the Directors' and Auditor's reports and to approve the financial statements for the year ended 31st December, 1979.
2 To approve the appropriation of the net profit and to declare a dividend for 1979 of US$0.25, as recommended by the Board, and fix its date of payment.
3 To discharge the Directors and the Auditor from their responsibilities for all actions taken within their mandates during the year 1979.
4 To re-elect the following Directors: Mr. E. Korner, Mr. D. L. M. Salem, Dr. R. Baur, Mr. J. R. Dilworth, Dr. K. W. Grimm, Mr. F. Hoogendijk, Mr. E. Lolli, Mr. P. Philippe, Mr. J. Reinnitz, Mr. P. Shelbourne, Mr. A. R. W. Smithers, Pan-Holding S.A. and additionally, to appoint Dr. W. Wirth and the Hon. David Montagu.
5 To fix at $1,500 per annum the Chairman's emolument and at $300 per annum each the other Directors' emoluments for 1980.
6 To fix the Auditor's fees for 1979 at F8 304,500 and to elect the Auditor for 1980.
7 To confirm the appointments and the remuneration of the investment advisors for 1980.
8 To decide on any other business which may properly come before the meeting.

Each of the resolutions set out above may be passed by a simple majority of the votes cast thereon at the meeting.

The shareholders are advised that no quorum for the statutory meeting is required and that decisions will be taken by the majority of the shares represented at the meeting, with the restriction that no shareholder, either by himself or by proxy, can vote for a shareholding in excess of one-fifth of the shares issued or two-fifths of the shares represented at the meeting.

In order to participate in the statutory meeting:

—the owners of bearer shares must deposit their shares, not later than 10th May, 1980 either at the registered office of the Company, or with any bank or financial institution acceptable to the Company, and the relative deposit receipts must be forwarded to the registered office of the Company: Boîte Postale 408, Luxembourg. The shares will remain blocked until the day after the meeting.

—the owners of registered shares need not deposit their certificates.

Shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy form to the office of the Company: Boîte Postale 408, Luxembourg.

No Director has entered into a contract of significance with the Company.

The Board of Directors
10, Boulevard Roosevelt,
Luxembourg.
28th April, 1980.

MITSUBISHI RAYON COMPANY, LIMITED

8% GUARANTEED BONDS DUE 1989

In accordance with the provisions of the Bonds, notice is hereby given that in the 12 months to 31st March 1980
That: The aggregate principal amount of bonds purchased was zero.
There is no deficiency to be carried forward.
As at 31st March 1980 the aggregate principal amount of Bonds remaining in circulation is U.S. $5,200,000.
28th April 1980.

URUGUAY 3½% CONSOLIDATED DEBT 1891

Williams & Glyn's Bank Limited hereby give notice that they will be prepared to pay on 1st May, 1980, the coupons due on that date of the above mentioned debt. Coupons must be left three clear days for examination.
5-10, Great Tower Street,
London, E.C.3.

DEHRADUN TEA COMPANY LIMITED
EAST HOPETOWN ESTATE COMPANY LIMITED

APPLICATION FOR DUPLICATE SHARE CERTIFICATES

The Trustees of the estate of Percy Lionel Jackson deceased are applying to the above companies for duplicates of the following share certificates:

Dehradun Tea Company Limited (holding 219 100 rupee shares)
1655-1664, 1645-1654, 1570-1574, 5795-5804, 5805-5809, 1665-1674, 8763-8772, 441-450, 4201-4210, 8559-8568, 8499-8508, 526-530, 1895-1904, 1905-1914, 1935-1944, 1845-1954, 1955-1964, 1965-1974, 1975-1984, 8705-8709, 7393-7402, 8887-8896, 8402-8406, 8579-8588, 8727-8728, 7823-7832.

East Hopetown Estate Company Limited (holding 174 100 rupee shares)
572-376, 2404-2448, 231-235, 354-360, 435-480, 437-440, 2334-2403, 2449-2460.
28th April, 1980.

LEGAL NOTICES

IN THE MATTER OF: The Companies (Winding-Up) Act 1977
IN THE MATTER OF: CETA SHIPPING CO LTD, HAMILTON, BERMUDA

NOTICE IS HEREBY GIVEN that the Creditors of the above named Company, which is being voluntarily wound up, are required, on or before the Ninth day of May 1980 being the day for that purpose fixed by Mr. Bruno Bosch and Mr. Herold Arthur, Joint Liquidators, to send their full Christian and Surnames, their addresses and the names and addresses of their solicitors (if any) to the undersigned at Messrs Evans Dodd & Summerton, 5 Balfour Place, Mount Street, London W1Y 5RG, and if so required by notice in writing from the said Joint Liquidators and personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated the 14th day of April 1980.
Evans Dodd & Summerton
Solicitors to the above-named Joint Liquidators

PERSONAL

NATIONAL CANCER CHARITY

Internationally acclaimed, seeks philanthropist to provide office accommodation central London either as a gift or at peppercorn rent. Approximately 8,000 square feet to house all departments. Reply in strict confidence to:

Box G.5796, Financial Times, 10 Cannon Street, EC4P 4BY

IN BEREAVEMENT—Send your tribute in a form that never fades—with a donation to help old people in need. Help The Aged, Room FTB3, 32, Dover Street, London W1E 7JZ.

PUBLIC NOTICES

(CORRECTED NOTICE)
£3m 91-day Bills issued 2.4.80, due 2.7.80 at 16 5/16%. Applications totalled £19m. Total outstanding £6m.

CITY OF EDINBURGH DISTRICT COUNCIL
£1.5m 91-day Bills issued 25.4.80, due 25.7.80 at 16 1/32%. Total tender £12m. Outstanding £4.5m.

TRAVEL

GENEVA, Basle, Zurich and Berne, widest choice of cheap flights from 4 UK airports. Brochure FALCON 01-351 2191. HERTFORDSHIRE COUNTY COUNCIL.

TRAVEL

BON APPETIT ON THE OPAL COAST

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TIME OFF, 2a Chester Close, London SW1X 7BD. 01-235 8070

DE BEERS CONSOLIDATED MINES LIMITED

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

CONSOLIDATED GOLD FIELDS LIMITED

Joint Announcement

Discussions have been held between De Beers Consolidated Mines Limited (De Beers) and Anglo American Corporation of South Africa Limited (AAC) on the one hand and Consolidated Gold Fields Limited (CGF) on the other following the purchase by De Beers and AAC of approximately 25% of the equity of CGF.

The following statement is issued jointly by Mr. H. F. Oppenheimer, Chairman of De Beers and AAC and The Rt. Hon. the Lord Erroll of Hale, Chairman of CGF for the information of the shareholders of the three companies concerned:

De Beers and AAC have made it clear that there is no immediate intention on their behalf or of any of their associates to increase their existing holding and that in any case it would not be their intention to increase their combined holding in CGF beyond 29.9% in the future.

De Beers and AAC have repeated the assurance given at the time the acquisition of the holding was announced that there is no intention to use the holding to bring about any change in the control or management of CGF.

De Beers, AAC and CGF believe it is in their interests to maintain a fully competitive situation in the mining industry in the Republic of South Africa and elsewhere. However, they will, where appropriate, seek to co-operate to the mutual advantage of all shareholders.

This statement provides the context within which discussions continue on appropriate board representation and details will be announced in due course.

H. F. Oppenheimer
Chairman of De Beers Consolidated Mines Limited and of Anglo American Corporation of South Africa Limited

The Rt. Hon. the Lord Erroll of Hale
Chairman of Consolidated Gold Fields Limited

28th April, 1980.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. (It does not constitute an invitation to subscribe for or purchase any stock).

GUEST KEEN AND NETTLEFOLDS (U.K.) LIMITED

(incorporated in England Registered No. 984980).

£782,685 6 per cent. Guaranteed Debenture Stock 1984/89
£1,520,604 7¾ per cent. Guaranteed Debenture Stock 1987/92 Second Series
£1,206,101 10¾ per cent. Guaranteed Debenture Stock 1992/97

The above mentioned Debenture Stocks have been issued in exchange for Debenture Stocks of Sheepbridge Engineering Limited.

The Council of The Stock Exchange has admitted to the Official List the above mentioned Debenture Stocks.

Full particulars are available in the Extel Statistical Service. Copies may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including 12th May, 1980, from

Morgan Grenfell & Co. Limited,
23, Great Winchester Street,
London EC2P 2AX

Rowe & Pitman,
City-Gate House,
39–45, Finsbury Square,
London EC2A 1JA

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Subcontracting Industries—SUBCON (01-486 1951) (until May 2)	NEC, Birmingham
Current	International Machine Tool Exhibition—MACH80 (01-402 6674) (until May 2)	NEC, Birmingham
Apr. 28—May 3	International Food and Wine Exhibition (06284 2442)	Exhibition Centre, Leeds
Apr. 28—May 1	Audio Visual Exhibition (01-688 7788)	Wembley Conference Centre
May 2—5	Spring Motor Cycle Show (04866 74987)	Bingley Halls, Birmingham
May 2—6	Boat Show (0272 657783)	Exhibition Centre, Bristol
May 3—5	National Collectors Exhibition (01-629 4917)	Kensington Town Hall
May 5—14	International Philatelic Exhibition (01-385 1200)	Earls Court
May 9—10	Amateur Radio Exhibition (01-837 8688)	Alexandra Palace
May 11—13	British Craft Trade Fair (0282 867153)	Harrogate
May 11—14	Confectionery, Tobacco and Newsagents' Exhibition (0428 52785)	New Horticultural Hall, Westminster
May 11—14	Wholesale Buyers' (Spring) Gifts Fair (01-855 9201)	Olympia
May 19—23	International Heating Ventilating and Air Conditioning Exhibition (021 705 6707)	NEC, Birmingham
May 18—22	Self-Service Display Equipment and Shopfitting Exhibition—SHOPEXINT (01-540 1101)	Olympia
May 20—23	Chelsea Flower Show	Chelsea
June 2—7	International Materials Handling (021-705 6707)	NEC, Birmingham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Apr. 29—May 2	Biochemical and Instrumental Analysis Exhibition (ANALYTICA) (01-486 1951)	Munich
May 2—9	Salon International du Textile et du Cuir (01-584 8827)	Casablanca
May 6—8	Compec Europe Exhibition (01-261 8000)	Brussels
May 7—11	Scandinavian Furniture Show (01-540 1101)	Copenhagen
May 10—13	International Trade Fair for Optometry—OPTICA (01-409 0956)	Cologne
May 14—17	International Tyre Dealers, Vulcanizers and Retreaders Trade Fair	Essen
May 17—21	Industrial Equipment Exhibition.	Brussels
May 19—21	Mint Directors Conference and Exhibition (01-486 1951)	Utrecht
May 20—23	International Petroleum Exhibition—PETROTECH	Amsterdam
May 26—30	International Rubber and Plastics Exhibition (021-705 6707)	Singapore
May 27—30	Petroleum and Marine Environment International Conference and Exhibition	Monte Carlo
June 3—6	Reprographics Exhibition—REPROGRAPHICS 80	Basle
June 5—9	International Carpet and Floor Coverings Exhibition (01-439 3964)	Paris
June 9—14	BIAM—International Machine Tool Exhibition	Zagreb
June 9—13	International Advertising Market—IAM (01 499 2317)	Paris
June 10—14	Educational Equipment Exhibition—VISODATA (01-486 1951)	Munich
June 17—19	Advanced Communications Exhibition—EUROCOMM 80 (01-540 1101)	Copenhagen
June 19—22	Solar Energy Exhibition	Genoa

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	FT: City course (01-621 1355) (until June 26)	Basinghall Street, EC2
Apr. 28—29	FT Conference: World Pulp and Paper (01-621 1355)	Helsinki
Apr. 29	Oyez-IBC: The Measurement of Bulk Liquids at Low Temperatures (01-242 2481)	Waldorf Hotel, WC2
May 1	CCC: Directors' Duties and Liabilities under New Company Legislation (01-222 6362)	Royal Lancaster Hotel, W2
May 1—2	AMR International: Managing People for Maximum Performance (01-262 2732)	Grosvenor Hotel, W1
May 5—7	FT Conference: World Electronics—Strategies for Success (01-621 1355)	Monte Carlo
May 6—8	Compower: The Computer in Personnel Work (Cannock 2511)	Codsall, Nr. Wolverhampton
May 6—8	IPM: London Personnel Management Conference (01-387 2844)	Royal Lancaster Hotel, W2
May 7	IPS: Transportation and the Supply Function (Ascot 23711)	Royal Lancaster Hotel, W2
May 7	Wyatt Harris Graham: International Employee Benefits and Compensation in the 1980s (01-222 8033)	Bowater Conference Centre, SW1
May 8	Accountancy Study Centre: Inflation Accounting—The New Standard (01-222 2179)	The Rainbow Suite, W8
May 8—9	AMD Legal: Essential Management Law—Refresher (07535 56047)	Royal Horseguards Hotel, SW1
May 8—9	Seminars International: International Conference on Managing Foreign Exchange Risk (01-434 3355)	Copenhagen
May 11—16	University of Bradford Management: Innovation and Market Success (Bradford 491773)	Heaton Mount, Bradford
May 12—16	Kepner Tregoe: Decision Making For Senior Management (0628 38083)	King's Head Hotel, Loughborough
May 12—13	CEI: International Marketing Seminar	Geneva
May 14—15	Crown Eagle Communications: Investing in U.S. Real Estate (01-636 0617)	Carlton Tower, SW1
May 15	CCC: Charges, Receiverships and Liquidation (01-222 6362)	Hotel Inter-Continental, W1
May 16	Oyez—IBC: East-West Trade 1980 (01-242 2481)	Quaglino's Hotel, SW1
May 18—23	University of Bradford Management: Export Marketing (Bradford 42299)	Heaton Mount, Bradford
May 19—20	Robert S. First: Hospital Supplies in Europa	Brussels
May 19	International Advertising Association: 27th World Congress (01-831 0509)	Durban
May 20—21	Oyez: IBC Control in Computerised Accounting Systems (01-242 2481)	Inn on the Park, W1
May 21—23	Robert Daum and Associates: Understanding and Underwriting the U.S. Market	Doral Country Club, Florida

Sandvik predicts flat earnings

BY VICTOR KAYFETZ IN STOCKHOLM

HIGHER VOLUME and better productivity will partly compensate for the inability of Sandvik, the Swedish cemented carbide and steel group, to raise prices as fast as costs, according to the group's annual report. This will result in 1980 earnings "in the same range" as in 1979, when pre-tax profit reachedo SKr 603m ($139m).

The annual report also predicts average annual sales increases of 14 per cent during 1980-83, of which half will consist of higher volume. This presupposes larger market shares.

In 1979, sales climbed 23 per cent to SKr 6.64bn ($1.53bn), including 9 per cent volume increases.

By 1983, cemented carbides will move np from 51 to about 55 per cent of sales, steel will reduce its share of turnover from 29 to 25 per cent and the saws and tools and the conveyer divisions will together retain their 20 per cent share. Production volume outside Sweden will rise from 35 to 45 per cent, the report states.

The return on working capital, which rose from 11.2 per cent in 1978 to 12.2 per cent last year, will improve as cemented carbides—which accounted for 90 per cent of group pre-tax earnings in 1979—increase their share of turnover, and as the relative siz of group stocks falls.

Investments will decline from 8-10 per cent of sales to 7-8 per cent and the degree of self-financing during 1983 will average 85 per cent, the report predicts.

Last year, the cemented carbide division had a virtually unchanged return on total working capital of 18.3 per cent, while the figure for the steel division rose from 4 to 6.3 per cent.

Cutting tools accounted for most of last year's 25 per cent rise in cemented carbide sales. The U.S. car industry needed to re-tool for smaller models, and there was also good growth in Sweden and major Western European countries. Sandvik's market shares for cutting tools rose markedly in Mexico and Japan. During 1979, Sandvik built a new central research laboratory for cemented carbides at Coventry in the UK.

Lafarge sees continued growth

BY OUR PARIS STAFF

LAFARGE the major French cement and concrete group which is one of the dominant international companies in its sector, estimates that its consolidated profits rose about 30 per cent last year to soma FFr 285m ($67m).

The estimate is given in tha group's takaover offer document for the minority interests in three companies in which it already has the controlling stake.. For this year, Lafarge is forecasting a similar 30 per cent increase in profits to ahont FFr 370m.

Lafarge has launched this financial reorganisation because it believes that substantial new investments are needed in the sectors covered by the companies—plaster, prefabricated plaster products and refractories. It wants total control of the companies before going ahead with the necessary cash injection and reorganisation. Lafarge's turnover last year was in the region of FFr 7bn ($1.7bn) compared with FFr 6.5bn in 1978. About 46 per cent of this total was made in the cement division, which is reckoned to have about 36 per cent of the French market.

In Canada, the gronp has a market share of about 40 per cent. and in Brazil it bas recently joined with Lone Star of the U.S. in the construction of a new factory to add to its present activities.

The other main part of Lafarge's activity is in concrete and gravels, where its policy in the last few years has heen to hring together complementary activities to integrate concrete production.

All the group's operational divisions were in profit last year, which suggests that it has now overcome tha problems which bad hit soms of its non-cement interests, Carbonisation Entreprise et Ceramique and the Allia Doulton sanitary-ware group.

Sharp rise in profits at Makita

By Our Financial Staff

MAKITA Electric Works, the Japanese manufacturer of power tools, raised its consolidated net profits hy 81 per cent in the year to February 20 to a record Y6.16hn ($24.7m), from Y3.41hn in the previous year. Sales grew 23.7 per cent to Y61.41bn ($246m), also a record, from Y49.63bn.

Sales outside Japan increased 41.1 per cent to Y30hn, to account for 48.9 per cent of all sales, against 42.9 per cent in the previous year.

Domestic sales were up 10.7 per cent to Y31.38bn.

Upturn at Canadian papermaker

By Robert Gibbens in Montreal

CONSOLIDATED - BATHURST, the major Canadian pulp and paper, timber and packaging group, reports a stong increase in first quarter earnings.

First quarter earnings were C$31.4m (US$26.6m) or C$1.39 a share, against C$19.2m or C$0.82 a year earlier on sales of C$339m against C$279m.

The company, which is controlled by Power Corporation of Canada and in which Associated Newspapers has a 12 per cent stake, forecast a significant improvement for its glass bottle subsidiary and the packaging group, and continuing good results in pulp and paper.

Ampol Exploration lifts payment on higher income

BY JAMES FORTH IN SYDNEY

AMPOL EXPLORATION, the 67 per cent-owned, listed oil exploration and development arm of Ampol Petroleum, raised its earnings by 44.5 per cent, from A$3.73m to A$5.30m (US$5.9m), in the half-year to March 31. The result is only A$1.5m less than the full year record profit of A$6.9m achieved in 1978. The directors have raised the interim dividend from 3.75 cents a share to 5 cents. Last year the company paid a final of 3.75 cents.

Sales of crude oil from Barrow Island dipped 1.17m barrels to 4.96m barrels in the half-year, hut turnover, including the Government crude oil levy, rose 33 per cent from A$12.8m to A$17m (US$18.7m). Exclnding the levy, revenue was up 38 per cent, from A$7.4m to A$10.2m.

The directors said that while the exploration programme in Western Australia was maintained in the period, the company expanded its exploration in the Arafura Sea and the Gulf of Carpentaria, as well as undertaking seismic work off the coast of China.

Braniff reports heavy loss

By Our Financial Staff

FURTHER evidence of the difficulties facing airlines is the results of Braniff International, which controls one of the world's fastest growing airlines.

The company had a nat loss for the first quarter of $21.97m or $1.10 a share, against profits of $8.06m or 40 cents a share a year earlier. Revenues advanced from $283.5m to $372.1m.

Braniff blamed the poor performance on the 104 per cent rise in tha cost of jet fuel and the long time-lag before the effects of fare increases are felt.

The result follows a severe setback in the final quarter of last year, when the group's $51.4m deficit put it in the red for the year as a whole.

PENDING DIVIDENDS

	Date	Announcement last year
Allied Irish Banks	May 16	Final 7.143
ANZ Bank	May 21	Int. 10 cents
Avon Rubber	May 23	Int. 4.0
*B.A.T. Inds.	Apr. 30	Final due
BOC Intl.	May 23	Int. 1.9
*Bank of Ireland	May 14	Final 11.0
Bass	May 20	Int. 2.1
Beecham	May 24	Final 12.075
Berec	May 23	Final 3.584
Boots	May 24	Final 3.5
*British Home Stores	May 12	Final 3.9
*British Sugar	May 8	Int. 1.815
*Brixton Est.	May 7	Final 0.93
Brockhouse	May 23	Int. 2.0
Brown (Matthew)	May 17	Int. 1.25
*Bunzl	Apr. 28	Final 2.285
Capital and Counties	May 24	Final 1.41
Cater Ryder	May 14	Final 14.719
Coats Patons	May 15	Final 2.342
Costain	May 8	Int. due
Courtaulds	May 24	Final 5.674
*Debenhams	May 22	Final 4.324
Duport	May 16	Final 2.963
Dutton-Forshaw	May 17	Final 1.83
Eastern Produce	May 30	Final 3.082
European Ferries	May 8	Final 1.98
Exchange Telegraph	May 24	Final 4.0335
*Fosaco Minsep	Apr. 28	Final 3.0
French Kier	May 14	Final 1.1
*Garrard and Nat. Ols	Apr. 30	Final 5.124
*Goldfields Group	Jun. 10	Int. 1.53
Greenall Whitley	May 25	Final 6.519
*Hall (Matthew)	May 7	Final due
Heath (C.E.)	May 15	Final 3.9
*Hoveringham	May 29	Final 1.625
ICL	May 29	Int. 3.5
K Shoes	May 24	Int. 0.86
Keyser Ullman	May 23	Final due
*Laing (J.)	May 6	Final 1.5
*Laird Group	May 3	Final 1.52
Land Secs.	May 30	Final 5
*Lloyds and Scottish	May 15	Int. 1.87
London and Northern	May 9	Final 2.1
Mallinson-Denny	May 9	Final 1.988
*Marks and Spencer	May 7	Final 1.459
Marley	May 30	Int. 1.5
MEPC	May 31	Int. 1.6
Minster Assets	May 30	Final 2.3
*Mothercare	May 6	Final 2.166
*Mowlem (J.)	May 1	Final 6.608
*Newarthill	May 1	Final 5.324
*P & O	May 7	Final 3.542
Phillips' Lamps	May 8	Final due
Prop of Hays Wharf	May 31	Int. 1.72
RHM	May 15	Int. 1.452
*Rnsme. Hoffmn. Pollard	May 8	Int. 1.44
Readicut	May 14	Final 5
Reed Int.	May 30	Final 1.244
*Royal Bk. of Scotland	May 8	Int. 1.52
Sainsbury (J.)	May 9	Final 4.85
Sears	May 9	Final 0.94
Serck	May 11	Int. 2.2
*Simon Eng.	Apr. 28	Final 6.065
*Tarmac	Apr. 29	Final 3.234
*Telephone Rentals	Apr. 30	Final 4.802
Trafalgar Hse.	May 15	Int. 2.11
UDS	May 14	Final 3.345
*Vaux Breweries	May 9	Int. 1.842
Whitbread	May 15	Final 3.477
*Wolv. & Dudley Brews.	May 30	Int. 2.6

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
85	F.P.	—	95	88	Amstrad Cons. Elect.	88	−5	bd3.5	3.0	5.3	7.0
	F.P.	—	180	135	Hemerdon Mining 10c	160	+18	—	—	—	—
§80	F.P.	—	101	94	Morley (R.H.) 10p	99	−1	b4.75	1.3	6.9	15.9
—	F.P.	—	34	25½	Roche Plant 10p	26½	—	1.25	2.7	5.7	8.2
§10	F.P.	5/6	10¼	10	Trst.ofProp.Shrs.5p	10	—	—	—	—	—
**	F.P.	83/5	22	12	Ward Hldgs. Dfd.	18	−½	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
100p	F.P.	—	101	98	Edwards (L.C.) 8% Conv. Red. Cum. Pref	101	......
—	—	2/9	112	104	Globe Inv Tst 11½% Conv Uns Ln '90-95	105½	......
¶¶	F.P.	30/5	100½	95½	Imp. Cont. Gas 8% Conv. Loan. 1996-2000	99	+1
‡	F.P.	2/6	106	100¼	Leigh Interests 10pc Conv. Uns Ln. 1984-89	104	......
¶	F.P.	29/5	95⅛	93½	Mid Kent Water 9% Red Pref. 1985	94	......
101¼	£10	30/5	11¼	10¼	Mid Southern 10% Red Prf. 1985	11¼	......
¶¶	F.P.	—	22	91	Norwest Holst 11½% Red Cum Pref 1986	91	......
¶	F.P.	30/5	99½	98½	Sutton District Water 10pc Red Pref. 1985	99½	......

"RIGHTS" OFFERS

Issue Price p	Am'unt Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980 High	1980 Low	Stock	Closing price p	+ or −
138	F.P.	21/3	2/8	167	159	AGB Research	163	−4
225	F.P.	—	—	340	283	Aran Energy	385	−4
30	Nil	1/5	12/5	95pm	90pm	Brent Chemicals	92pm	−2
60	F.P.	5/1	24/1	855	560	Hammerson Prop. A	855	+5
46	F.P.	25/4	23/5	65	58	Howard Tenens	55	−4
60cts	Nil	—	—	485pm	180pm	Pancontinental	860pm	+15
54	Nil	—	—	15pm	13pm	Rugby Portland Cement	14pm	......
180	Nil	—	—	128pm	116pm	Unitech	120pm	−5
68	F.P.	—	13/6	73	68	United Biscuits	71	......
110	F.P.	23/4	15/6	128	123	Watmoughs	127	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. o Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per unit. † Dealings under special rule.

BASE LENDING RATES

A.B.N. Bank	17 %	□ Hambros Bank	17 %
Allied Irish Bank	17 %	Hill Samuel	§17 %
Amro Bank	17 %	C. Hoare & Co.	†17 %
American Express Bk.	17 %	Hongkong & Shanghai	17 %
Henry Ansbacher	17 %	Industrial Bk. of Scot.	17½%
A P Bank Ltd.	17 %	Keyser Ullmann	17 %
■ Arbuthnot Latham	17 %	Knowsley & Co. Ltd.	19 %
Associates Cap. Corp.	17 %	Langris Trust Ltd.	17 %
Banco de Bilbao	17 %	Lloyds Bank	17 %
Bank of Credit & Cmce.	17 %	Edward Manson & Co.	18 %
Bank of Cyprus	17 %	Midland Bank	17 %
Bank of N.S.W.	17 %	■ Samuel Montagu	17 %
Banque Belge Ltd.	17 %	■ Morgan Grenfell	17 %
Banque du Rhone et de la Tamise S.A.	17½%	National Westminster	17 %
Barclays Bank	17 %	Norwich General Trust	17 %
Bremar Holdings Ltd.	18 %	P. S. Refson & Co.	17 %
Brit. Bank of Mid. East	17 %	Rossminster	17 %
■ Brown Shipley	17 %	Ryl. Bk. Canada (Ldn.)	17 %
Canada Perm't Trust	18 %	Schlesinger Limited	17 %
Cayzer Ltd.	17 %	E. S. Schwab	17 %
Cedar Holdings	17 %	Security Trust Co. Ltd.	18 %
■ Charterhouse Japhet	17 %	Standard Chartered	17 %
Choulartons	17 %	Trade Dev. Bank	17 %
C. E. Coates	17 %	Trustee Savings Bank	17 %
Consolidated Credits	17 %	Twentieth Century Bk.	17 %
Co-operative Bank	*17 %	United Bank of Kuwait	17 %
Corinthian Secs.	17 %	Whiteaway Laidlaw	17½%
The Cyprus Popular Bk.	17 %	Williams & Glyn's	17 %
Duncan Lawrie	17 %	Wintrust Secs Ltd.	17 %
Eagil Trust	17 %	Yorkshire Bank	17 %
E. T. Trust Limited	17 %		
First Nat. Fin. Corp.	19½%		
First Nat. Secs. Ltd.	19 %		
Robert Fraser	17 %		
■ Antony Gibbs	17 %		
Greyhound Guaranty	17 %		
Grindlays Bank	‡17 %		
□ Guinness Mahon	17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 16%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

Public Works Loan Board rates

Effective from April 19

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	14¼	14⅜	14⅝	15¼	15⅜	15⅝
Over 5, up to 10	14¼	14½	14¾	15¼	15½	14¾
Over 10, up to 15	14½	14¾	14½	15	15¼	14¾
Over 15, up to 25	14¼	14½	14½	14¾	14¾	14¾
Over 25	14½	14¼	14¼	14¾	14¾	14¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

CORAL INDEX: Close 425-430 (−7)

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Knowsley (051 548 6555)	15¼	½-year	1,000	1
Redbridge (01-478 3020)	14¾	½-year	200	2-3
Redbridge (01-478 3020)	14¾	½-year	200	5-6

CURRENCIES, MONEY and GOLD

Gold takes it calmly

BY COLIN MILLHAM

BULLION AND foreign exchange markets reacted predictahly to news of the abortive rescue attempt of the U.S. hostages in Iran. Gold was fixed at $552 Friday morning, $37¼ higher than the Thursday morning fix, $29¼ higher than the previous London close, and $23¼ higher than the previous New York close. At the same time the dollar weakened against other major currencies in very nervous trading, with quotations on very wide dealing spreads.

Central banks quickly stepped in to prevent any sharp reaction, but there was no sign of heavy pressure on the dollar. The need for further clarification of the operation and the difficulty of assessing all the possible implications led to a stunned inactivity rather than any hysterical selling.

Gold already had a fairly firm undertone before the news about the rescus mission brke from Washington. Threats from the Iranian Foreign Minister to cut off all oil supplies from the Gulf to the West renewed buying interest in the metal, which has recently shown signs of sustaining a steady market around the lower $500 area.

In early April gold fell to a low point of $477¼, but rose $62 on April 8 following the hreaking of diplomatic relations between the U.S. and Iran. On the following day it touched $550, and has since moved within a general range of $500 to $530.

Financial markets, including hullion and currencies, seem to be learning to live with the constant threat of an outbreak of hostilities in the Middle East, possihly leading to a confrontation between the Superpowers. It is hard to believe that if Friday's events in Iran had occured in January the gold market would have reacted so calmly, but since the early part of the year other events bave influenced the general picture.

The upward spiral in oil prices is no longer a bullish factor, while tightening of the margin limits on U.S. futures trading has tended to put the brake on the major avenue of speculation.

GOLD

	April 25		April 24	
Gold Bullion (fine ounce)				
Close	$548-553	(£240½-242¾)	$520-526	(£229¼-231¾)
Opening	$546-551	(£240½-242¾)	$511-518	(£225¼-228½)
Morning fixing	$552	(£242¼-424)	$514.25	(£226.962)
Afternoon fixing	$551.50	(£241.568)	$515.70	(£228.085)
Gold Coins				
Krugerrand	$570-574	(£248-252)	$539-543	(£237-240½)
Mapleleaf	$550-560	(£241-246)	$515-525	(£227-232)
New Sovereigns	$139-142	(£60-63)	$133¼-138	(£58-60)
King Sovs	$152-165	(£71-73)	$160-163	(£70-72)
Victoria Sovs	$152-155	(£71-73)	$160-163	(£70-72)
French 20s	$137½-142½		$135-139	
50 pesos Mexico	$682-682		$646-652	
100 Cor. Austria	$544-551		$516-581	
$20 Eagles	$650-660		$632-640	
$10 Eagles	—		—	
$5 Eagles	—		—	

OTHER CURRENCIES

April 25	£	$		£ Note Rates
Argentina Peso	4041-4061	1778-1788	Austria	29.30-29.60
Australia Dollar	2.0540-2.0590	0.9025-0.9035	Belgium	57.30-57.90
Brazil Cruzeiro	111.12-112.12	48.86-49.06	Denmark	12.66-12.92
Finland Markka	8.593-8.525	3.7500-3.7540	France	9.58-9.64
Greek Drachma	94.858-97.172	41.25-43.25	Germany	4.11½-4.14½
Hong Kong Dollar	11.18½-11.20½	4.9080-4.9110	Italy	1915-1930
Iran Rial	n/a	n/a	Japan	560-565
Kuwait Dinar (KD)	0.515-0.535	0.2722-0.2723	Netherlands	4.52-4.56
Luxembourg Frc.	56.10-58.20	82.07-29.09	Norway	11.30-11.57
Malaysia Dollar	5.1240-5.1440	2.2490-2.2540	Portugal	108-103
New Zealand Dlr.	2.3585-2.3885	1.0380-1.0395	Spain	157½-155½
Saudi Arab. Riyal	7.50-7.60	3.3250-3.3500	Sweden	9.71-9.77
Singapore Dollar	4.9300-4.9600	2.1570-2.1720	Switzerland	3.84-3.87
Sth. African Rand	1.8275-1.8290	0.8030-0.8035	United States	2.26-2.29
U.A.E. Dirham	8.40-8.50	3.7190-3.7240	Yugoslavia	49-51¼

Rate given for Argentina is free rate.

THE POUND SPOT AND FORWARD

April 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2670-2.2950	2.2755-2.2765	0.18-0.08c pm	0.68	0.45-0.35 pm	0.70
Canada	2.6740-2.7050	2.6910-2.6920	0.33-0.23c pm	1.25	1.03-0.93 pm	1.46
Nethlnd.	4.54-4.59	4.55-4.56	3⅛-2⅛c pm	7.57	8⅛-7⅛ pm	6.69
Belgium	65.50-66.50	66.10-66.20	2c pm-8 dis	−0.54	4 pm-6 dis	−0.06
Denmark	12.90-13.02	12.92½-12.93½	2⅛-3⅞ore dis	−2.84	7-8½ dis	−2.40
Ireland	1.1090-1.1150	1.1135-1.1146	0.11-0.06p pm	0.91	0.40-0.35 pm	1.35
W. Ger.	4.11½-4.12	4.13-4.14	3⅛-2⅛pf pm	7.62	8½-7½ pm	7.74
Portugal	112.40-113.50	112.85-113.05	5c pm-40 dis	−1.86	15-135 dis	−2.66
Spain	159.30-161.35	160.60-160.70	34-73c dis	−4.00	120-175 dis	−3.67
Italy	1931-1942	1932-1933	3-1lire pm	1.24	2⅛-⅛ pm	0.36
Norway	11.31-11.37	11.31½-11.32½	4⅛-3⅛ore pm	4.11	10⅛-9⅛ pm	3.53
France	9.60-9.68	9.62½-9.63½	4-3c pm	4.36	10-9 pm	3.95
Sweden	9.70-9.80	9.72½-9.73½	3½-1½ore pm	3.08	9⅛-7⅛ pm	3.39
Japan	555-563	557-558	8.00-2.55y pm	5.97	5.80-5.25 pm	3.96
Austria	29.30-29.80	29.42-29.47	19-17gro pm	7.33	56-49 pm	7.13
Switz.	3.83-3.87½	3.85½-3.86½	3⅞-2⅞c pm	10.49	10-9 pm	6.84

Belgian rate is for convertible francs. Financial franc 67.50-67.60. Six-month forward dollar 0.92-0.82c pm. 12-month 1.80-1.70c pm.

THE DOLLAR SPOT AND FORWARD

April 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2670-2.2950	2.2755-2.2765	0.18-0.08c pm	0.68	0.45-0.35 pm	0.70
Ireland†	2.0400-2.0485	2.0400-2.0450	0.45-0.35c pm	2.34	1.25-1.15 pm	2.34
Canada	1.1792-1.1833	1.1830-1.1833	0.05-0.01c pm	0.30	0.20-0.16	0.61
Nethlnd.	2.0000-2.0080	2.0010-2.0060	1.28-1.18c pm	7.37	3.10-3.00 pm	6.09
Belgium	29.01-29.09	29.07-29.09	4-8c dis	−2.07	4-8c dis	−0.83
Denmark	5.6650-5.6900	5.6800-5.6900	1.50-2.00ore dis	−3.69	4.10-4.60dis	−3.06
W. Ger.	1.8100-1.8225	1.8155-1.8165	1.13-1.03pf pm	7.14	3.32-3.22 pm	7.20
Portugal	49.60-49.80	49.60-49.80	5-20c dis	−3.02	15-65 dis	−3.22
Spain	70.52-70.65	70.60-70.65	18-28c dis	−3.91	65-85 dis	−4.25
Italy	846.50-852.00	846.50-849.50	½ lire pm-½ dis	—	1-2 dis	−0.71
Norway	4.9550-4.9780	4.9650-4.9700	1.50-1.00ore pm	3.02	3.50-3.00 pm	2.62
France	4.2250-4.2370	4.2300-4.2350	1.30-1.10c pm	3.40	3.50-3.20 pm	3.17
Sweden	4.2700-4.2850	4.2730-4.2780	0.70-0.50ore pm	1.68	2.10-1.90 pm	1.87
Japan	244.30-246.50	244.95-245.05	1.20-1.00y pm	5.39	2.10-1.90 pm	3.26
Austria	12.92-12.96½	12.92-12.95	7.50-6.50gro pm	6.63	22.50-19.50pm	5.49
Switz.	1.6830-1.7050	1.6945-1.6955	1.55-1.45c pm	10.62	4.02-3.92 pm	9.37

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 16.05-16.15 per cent; three-months 15.55-15.75 per cent; six months 14.80-14.90 per cent; one year 14.10-14.20 per cent.

April 25	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	17⅜-17⅝	15¼-16½	11-13	9¾-10	5⅝-7⅛	8⅞-9	12¼-12½	11-13	6⅛-5⅜	11-11¼
7 days' notice	17⅜-17⅝	16½-16¾	11-15	2⅞-10⅛	6-6½	2⅞-9	12¼-12½	15¼-17¼	16¾-16⅞	11⅞-12⅛
Month	17¼-17½	16 16¼	14⅞-15¼	10-10¼	5 11/16-6 1/16	9 1/16-9 3/16	12 3/16-12 7/16	16¼-17	16¼-16⅜	11⅞-12½
Three months	17⅛-17⅜	16⅛-15⅜	14⅞-15¼	10-10¼	6⅝-6¾	9 1/16-9 3/16	12⅝-12⅞	15½-17	16⅛-16¼	12¾-13
Six months	15¼-15½	15 7/16-15 11/16	14¼-14⅝	10-10¼	5½-5⅝	9 1/16-9 3/16	13-13¼	18¼-16¾	18¼-16⅝	12-12¼
One year	16½-15¾	14⅝-14⅞	14¼-14⅝	10⅛-10⅝	6 5/16-6 7/16	8⅞-9	13⅛-13⅜	16¾-17¼	14½-14⅝	10⅞-11⅛

Long-term Eurodollar two years 12¾-13 per cent; three years 12½-12¾ per cent; four years 12½-12¾ per cent; five years 12¼-12½ per cent; nominal closing rates. Short-term rates are call for sterling. U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. Asian rates are closing rates in Singapore.

LONDON MONEY RATES

April 25 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Over night	—	16-18	—	—	—	17½-17⅝	16½-17	—	—	—
2 days notice	—	—	17⅜-17⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	17⅛-17⅝	17½-18	—	17¾	17⅞	17	—	—	—
One month	17½-17⅜	17⅜-17½	17½-17⅝	18¾-18½	17¾	17⅞-17¾	18⅞	15⅞-18	17 1/16	17¾
Two months	17 1/16-17 3/16	17 3/16-17 1/16	—	18⅜-18⅛	17 11/16	—	16⅝-16¾	16-16 1/32	17 3/16-17⅛	17½
Three months	17 1/16-17 3/16	17 1/16-17 3/16	17⅛-17⅝	17⅝-17¼	17⅝	17¾-17⅞	16⅜	16 3/32-18⅛	18 1/16	17⅛
Six months	16 7/16-16 9/16	16 7/16-16 11/16	18⅝-18¾	16⅝-16¼	16⅛	17½	—	—	15½-15 9/16	18
Nine months	15 15/16-15 13/16	16-16⅛	—	16 3/16-15	15 15/16	16¼	—	—	—	—
One Year	15⅝-15½	15¾-18⅞	15⅞-16	16⅛-15¾	16⅞	18¼	—	—	—	—
Two years	—	—	16⅞-16	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rates nominally three years 15½-15¾ per cent; four years 14¾-15⅛ per cent; five years 14¾-15 per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 16⅝-16 21/32 per cent; four-month trade bills 16⅞ per cent.

Approximate selling rates for one-month Treasury bills 15 25/32-15 27/32 per cent; two-months 15 31/32-16 per cent; three-months 15 1/32-16 1/32 per cent. Approximate selling rates for one-month bank bills 17 3/16 per cent; two-months 16 29/32-17 per cent; three-months 16 11/16 per cent; one-month trade bills 17½ per cent; two-months 17 per cent and three-months 16⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 18 per cent from April 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 16.0626 per cent.

CURRENCY RATES

April 25	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.565387	0.606909
U.S. $	13	1.29191	1.38739
Canadian $	15.67	1.53104	1.63602
Austria Sch.	6¾	16.7160	17.9945
Belgian F.	14	37.4638	40.2344
Danish K	13	7.34774	7.87416
D'Mark	7	2.34546	2.61673
Guilder	9½	2.58834	2.77479
French Fr.	9½	5.46364	5.86521
Lira	15	U'nav'ible	1174.43
Yen	9	317.551	339.216
Norwgn. Kr.	9	6.43115	6.88009
Spanish Pts.	8	91.2683	98.0194
Swedish Kr.	10	5.53229	5.25111
Swiss Fr.	3	2.18655	2.34400

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561
Lloyds Tst. O'seas 51.8 55.1 2.28
Next dealing May 1.
Lloyds Trust Gilt 69.29 9.30 13.25
Next dealing April 30.

Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneve 11 (Switzerland)
Lloyds Int. Growth SF381.0 408.00 0.8
Lloyds Int. Income SF271.50 282.5 6.40

M & G Group
Three Quays, Tower Hill EC3R 6BQ. 01-626 4588
Atlantic April 22 US$6.13 5.19
Australian Ex. Apr. 23 US$5.36 5.65
Gold Ex.Acc. US$41.37 44.97 5.82
Island 135.9 144.6 3.96
(Accum Units) 205.0 218.2 −0.1 3.97

Midland Bank Tst. Corp. (Jersey) Ltd.
28-34, Hill St., St. Helier, Jersey. 0534 36281
Midland Drayton Gilt 94.1 94.7 12.67

Samuel Montagu Ldn. Agents
114, Old Broad St., EC2. 01-588 6464
Apollo Fd. Apr. 15 SF48.0 52.10 3.38
Japfest. Apr. 15 HK$15.15 16.40 1.25
117 Group March 31 US$11.38 12.48 2.85
117 Jersey April 16 £5.46 5.94 2.12
117 J'sey O's April 19 £5.85 6.16 3.10

Murray, Johnstone (Inv. Adviser)
163, Hope St., Glasgow, C2. 041-221 5521
Hope St. Fd. April 15 US$29.41
Murray Fund April 15 US$13.60
Pacific Fund March 31 US$2.81

Nat. Westminster Jersey Fd. Mgrs. Ltd.
45 La Motte St., St. Helier, Jersey 0534 36241
High Income Fund 43.7 45.0 13.33
Equity Fund 47.1 49.0 −1.0 4.64

Negit S.A.
10a Boulevard Royal, Luxembourg
NAV April 18 US$11.46

Negit Ltd.
Bank of Bermuda Bldgs., Hamilton, Brmda.
NAV Feb. 29 £3.25

Pacific Basin Fund
10a Boulevard Royal, Luxembourg.
NAV April 24 US$13.68 +0.23

Phoenix International
PO Box 77, St. Peter Port, Guern. 0481 26741
Inter-Dollar Fund US$2.60 2.80
Far East Fund US$1.68 1.82
Intl. Currency Fund US$1.56 1.69
Dollar Fxd. Int. Fund 1.91 2.07
Ster. Exempt Gilt Fd. £1.32 1.42

Providence Capitol Life Ass. (C.I.)
PO Box 121, St Peter Port, Guernsey 0481 26726/9
Sterling Bond Fd. 46.2 48.5
Sterling Equity Fd. 58.4 61.3
Intnl. Bond Fd. US$97.0 102.0
Intnl. Equity Fd. US$98.0 103.0
Prices at April 23. Next dealing April 30.

Quest Fund Mngmnt. (Jersey) Ltd.
PO Box 194, St. Helier, Jersey. 0534 27441
Quest Stlg. Fxd. Int. £0.793 0.840 14.88
Quest Intl. Secs. US$0.891 0.959 4.48
Quest Intl. Bd. US$0.856 0.906 10.49
Prices on April 24. Next dealing April 30.

Richmond Life Ass. Ltd.
48, Athol Street, Douglas, I.O.M. 0624 23914
(x)The Silver Trust 271.9 278.4 +22.4
Do. Diamond Bd. 166.6 175.4
Do. Em Income Bd. 122.0 130.5 +0.1 13.76
Midway Deposit Bd. 111.34 112.47 17.19
Carrilion C.G.T. Bd. 66.1 69.7

Rothschild Asset Management (C.I.)

Royal Trust (C.I.) Fd. Mgt. Ltd.

Save & Prosper International

Schlesinger International Mngt. Ltd.

Schroder Life Group
Enterprise House, Portsmouth. 0705 27733
International Funds
£Equity 76.9 81.8
$Equity US$1.657 1.762
£Fixed Interest 153.4 163.1
$Fixed Interest US$1.150 1.223
£Managed 112.2 119.3
$Managed US$1.396 1.485 +0.009

J. Henry Schroder Wagg & Co. Ltd.
120, Cheapside, EC2. 01-588 4000
Am. Ind. Tst. Apr. 18 US$14.86 2.35
Asian Fd. April 21 US$21.42 22.07 2.73
Ch'pside $ April 24 US$15.12 .76 +0.07 2.65
Darling Fd. Apr. 24 A$2.84 3.02 4.20
Japan Fund April 17 US$6.28 6.79 0.74
Trafalgar Fd. Mar. 31 US$183.42

Sentry Assurance International Ltd.
P.O. Box 1776, Hamilton 5, Bermuda.
Managed Fund US$4.693 4.9415

Singer & Friedlander Ldn. Agents
20, Cannon St., EC4. 01-248 9646
Dekafonds DM21.63 22.77 −0.10 7.08
Tokyo Trust April 1 US$27.50 3.27

Standard Chartered Intl. Bd. Fd.
37 rue Notre-Dame, Luxembourg.
NAV April 22 US$9.78

Stronghold Management Limited
P.O. Box 315, St. Helier, Jersey. 0534-73460
Commodity Trust 132.34 139.31

Surinvest (Jersey) Ltd. (x)
Queens Hse., Don Rd., St. Helier, Jsy. 0534 27349
American Ind. Tst. £4.57 4.68 +0.03
Copper Trust £14.88 15.24 +1.55
Jap. Index Tst. £5.93 6.07 +0.06

Surinvest Trust Managers Ltd.
48, Athol Street, Douglas, Isle of Man. 0624 23914
The Coin Trust 103.7 109.1

TSB Unit Trust Managers (C.I.) Ltd.
10, Wharf St., St. Helier, Jersey (CI). 0534 73494
TSB Jersey Fund 49.4 52.0 5.53
TSB Guernsey Fund 49.4 52.0 5.53
Prices on April 23. Next sub. day April 30.

TSB Gilt Fund Managers (C.I.) Ltd.
10 Wharf St., St. Helier, Jersey (CI). 0534 73494
TSB Gilt Fund 91.0 93.0 15.05
TSB Gilt Fd. (Jsy.) 91.0 93.0 15.05
Prices on April 23. Next sub. day April 30.

Tokyo Pacific Holdings N.V.
Intimis Management Co. N.V., Curacao.
NAV per share April 21 US$76.56

Tokyo Pacific Hldgs. (Seaboard) N.V.
Intimis Management Co. N.V., Curacao.
NAV per share April 21 US$55.78

Tyndall Group
P.O. Box 1256 Hamilton 5, Bermuda, 2-2760
Overseas April 23 US$1.19 1.26 6.00
(Accum. Units) US$2.05 2.17
2 New St., St. Helier, Jersey. 0534 37331/3
TOFSL April 24 £7.90 8.50 2.98
(Accum. Shares) £13.20 14.10
American April 24 94.8 101.0 2.97
(Accum. shares) 99.2 105.6
Far Eastern April 24 91.6 98.0 2.04
(Accum. shares) 94.6 101.2
Jersey Fund April 23 147.2 156.2 8.49
(Non-J. Acc. Uts.) 236.4 250.6
Gilt Fund April 23 97.4 99.2 12.19
(Accum. Shares) 154.2 157.0
Victory House, Douglas, Isle of Man. 0624 24111
High Inc. Gilt April 24 101.6 103.6 13.34

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

World Wide Growth Management

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	45.1	48.5	+0.3	2.86
Abbey Capital	35.3	38.2	-0.3	6.03
Abbey General	45.8	49.8	-0.5	6.04
Abbey Gilt & F.I. Tst.	102.5	107.9	-1.0	9.94
Abbey Income	40.3	43.6	-0.3	9.00
Abbey Intl. Bd. Tst.	93.2	98.6	-0.7	5.58
Abbey Inv. Tst. Fnd.	36.6	39.6	-0.3	6.30
Equitas Prog. Trust	68.0	73.5	-0.7	6.10

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt & Pref.	86.2	91.2	----	13.40

Allied Hambro Group (a) (g)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	73.5	78.6	-1.0	6.74
Brit. Inds. Fund	67.3	72.0	-0.9	7.03
Growth & Income	40.7	43.5	-0.5	5.79
Elect. & Ind. Dev.	36.4	38.9	-0.4	6.30
Allied Capital	73.8	79.0	-0.9	5.89
Hambro Fund	114.6	122.6	-1.4	6.58
Hambro Acc. Fund	140.2	150.0	-1.9	6.00
Income Funds				
High Yield Fd.	64.7	69.2	-0.9	10.98
High Income	67.5	72.2	-0.7	8.35
A.H. Eq. Inc.	39.8	42.6	-0.4	8.43
International Funds				
International	26.8	28.7	----	3.77
Pacific Fund	44.2	47.3	+0.3	2.62
Secs. Of America	54.7	58.5	----	2.39
Specialist Funds				
Smaller Co.'s Fd.	47.5	50.8	-0.4	4.92
2nd Smlr. Co's Fd.	55.6	59.5	-0.5	4.92
Recovery Sits.	112.9	120.8	-1.3	6.41
Met. Min. & C'dty.	54.3	58.1	+0.4	5.08
Overseas Earnings	56.7	60.7	-0.6	5.60
Exempt Funds				
Far East Exempt	51.9	54.0	+0.3	3.28
Smaller Co. Exempt	71.4	75.0	-0.7	5.33
U.S.A. Exempt	95.8	99.4	-0.3	3.51

Discretionary Unit Fund Managers
22 Blomfield St., EC2M 7AL. 01-638 4485

Disc. Inc. April 25	202.0	215.5	+10.5	5.74

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.2	18.1	----	7.89
Gt. Winchester O'seas	19.9	22.0	----	5.01

Emson & Dudley Tst. Mngmnt. Ltd.
20 Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	70.8	76.2	----	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	70.3	74.0	-1.0	5.69

Fidelity International Management Ltd.
62-63, Queen St., London, EC4R 1AD. 01-248 4891

American	21.5	23.4	+0.1	1.00
Fixed Interest	24.7	26.0	-0.2	13.00
Growth + Income	29.0	30.6	-0.4	7.88
Special Sits.	27.2	28.7	-0.4	3.38

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	25.7	27.6	----	2.93
Accum. Units	31.6	34.0	----	2.93
J. Finlay High Income	31.6	34.0	----	10.50
J. Finlay Euro.Fin.	20.4	21.9	----	4.96
Accum. Units	25.5	27.4	----	4.96
J. Finlay Fd.In.Tst.	31.4	33.8	----	5.59
Accum. Units	38.7	41.7	----	5.59

Prices on April 23. Next dealing April 30.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

American April 21	46.4	49.6	----	1.45
Am. T'argond Apr. 21	44.6	47.6	----	2.00
Capital Tst.	50.5	54.0	-0.6	5.02
(Accum. Units)	57.4	54.8	-0.6	5.02
Extra Income Trust	46.8	50.0	-0.6	10.50
Income Tst.	36.4	38.8	+0.2	8.57
Int. Growth Fd.	41.0	43.8	+0.6	2.30
(Accum. Units)	43.6	46.6	+0.6	2.30

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Units	48.1	51.4	-0.6	5.25
Do. Accum.	66.2	70.8	-0.9	5.25

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Apr. 17	112.2	115.4	----	5.78
Gross Inc. Apr. 17	75.0	76.7	----	11.47
High Yield Apr. 17	83.2	85.9	----	11.01

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

Craigmount Unit Tst. Mgrs. Ltd.
40 Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	36.9	40.4	-0.5	10.81
North American	44.1	47.8	-0.3	2.74
Canadian Exempt*	50.4	53.5		2.85
Canadian Trust	49.9	54.1	+0.1	2.85
Mid Mount High Inc.*	45.9	48.5		9.10
Recovery	48.6	53.2	-0.7	5.98
Gilt Trust	43.5	45.1	-0.9	12.33

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	24.5	26.4	----	1.42
Cres. Internat'l.	55.7	60.1	+0.1	2.91
Cres. High. Dist.	40.5	43.7	-0.2	11.16
Cres. Reserves	41.6	44.9	-0.7	6.40
Cres. Tokyo	18.7	20.2	+0.1	1.00

NOTES

Prices are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♣. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

LOANS—Continued

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

BANKS & HP—Continued

[illegible]

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[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

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ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

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INDUSTRIALS (Miscel.)

[illegible]

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INDUSTRIALS—Continued

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Yld Gr's	P/E
July Feb.	Hawkins & Tipson.	27	[illegible]	1.0	3.2	5.3	8.2
July	Hawtin 5p	12	[illegible]	0.25	6.7	3.0	5.5
Dec. June	Hay (Norman) 10p	48	[illegible]	3.35	ϕ	10.4	ϕ
Dec. July	Hay's Wharf £1.	147	10.12	F7.21	3.1	7.0	(5.8)
December	Hensher 'A' 10p	66	19.11	2.5	3.5	5.4	7.6
June Nov.	Hepworth Cmc.	101xd	14.4	5.8	3.3	7.1	4.9
Dec. June	Hestair	28	21.5	1.0	ϕ	5.3	ϕ
May	Hewitt (J.)	50xd	14.4	1.5	ϕ	4.3	ϕ
Dec. July	Highgate & Job 50p.	33	26.6	—	—	—	—
July Nov.	Hill (Chas.) £1	48	21.5	—	—	—	—
Nov. Apr.	Hirst Mal'son 20p	25	25.2	2.6	1.4	14.9	(4.8)
Jan. July	Holden (A.)	88	10.12	†4.0	3.4	7.1	5.6
Feb. Sept.	Hollis Bros	45	28.12	†5.12	1.8	16.3	4.3
Dec. July	Holt Lloyd Int. 10p	220	[illegible]	F9.0	2.3	5.8	12.1
Apr. Sept.	Hoover 'A'	168	30.1	12.0	0.9	10.2	(16.0)
Dec. July	Hoskins & H 20p	93	24.9	0.0	ϕ	13.0	ϕ
Feb. Oct.	Howard Tenens	54	10.12	h2.28	—	6.0	—
Nov. July	Hunting Assoc.	320	22.10	22.5	11.4	1.1	9.1
July Nov.	Huntleigh 10p	78	24.9	1.19	ϕ	2.2	ϕ
December	Hutch Whamp SHK1	73	15.5	Q28c	ϕ	3.6	ϕ
Oct. July	Hyman (I. & J.) 5p	20	10.9	1.25	ϕ	9.4	ϕ
Ap.Jy.O.Ja.	I.C. Industries$1	975	11.3	Q$1.84	—	8.4	—
July Feb.	ICL	125	28.12	h2.97	6.9	3.4	4.6
May Nov.	Ingall Inds. 10p	24xd	14.4	†2.27	1.7	13.5	7.0
Jan. Aug.	Initial Services	128	28.12	†5.5	2.5	6.1	7.6
Dec. June	Inter-City 20p	14	5.11	1.17	4.8	11.9	2.4
Jan. July	J. B. Holdings 10p.	45	19.11	3.0	ϕ	9.9	ϕ
August	Jacksons Bourne	120	10.12	†43.0	3.3	3.6	11.4

INSURANCE—Continued

LEISURE

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Garages and Distributors

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MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

January	Messina R0.50	200	28.12	Q10c	ϕ	[illegible]	3.0

Miscellaneous

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Yld Gr's
—	Anglo-Dominion	145	—	—	—	—
—	Barymin	68	—	—	—	—
—	Burma Mines 17½p	16xd	14.4	0.62	ϕ	5.6
Aug. Feb.	Cons. Murch. 10c.	350	28.12	hQ100c	1.8	16.4
—	Northgate C$1	365	9.77	—	—	—
Jan. July	R.T.Z.	370	5.11	15.0	q3.3	6.0
—	Robert Mines	26	—	—	—	—
—	Sabina Inds. C$1.	30	—	—	—	—
—	Tara Exptn. $1	430	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- • "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ? Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ϕ Merger bid or reorganisation in progress.
- ? Not comparable.
- ϕ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- II No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	27	—	**IRISH**		
Bertam	18	—	Conv. 9% '80/82	£96	—
Bdg'wtr. Est. 50p	370	+5	Nat. 9¾% 84/89	£72¼	−⅜
Clover Croft	60	—	Fin. 13% 97/02	£79½	−⅞
Craig & Rose £1	£10½	—	Alliance Gas	50	—
Fife Forge	37	—	Arnott	360	—
Finlay Pkg. 5p	18½	—	Carroll (P.J.)	52	—
Graig Ship. £1	£12	−¼	Clondalkin	106	—
Higsons Brew	75	—	Concrete Prods.	75	—
Holt (Jos) 25p	252	—	Helton (Hldgs.)	33	—
I.O.M. Stm. £1	170	—	Ins. Corp.	250	—
Pearce (C. H.)	385	—	Irish Ropes	60	—
Peel Mills	39	—	Jacob	35	—
Sheff. Refrshmt.	99	—	T.M.G.	137	—
Sindall (Wm.)	155	—	Unidare	102	—

OPTIONS
3-month Call Rates

Industrials					
A. Brew	8	I.C.I.	32	Utd. Drapery	9
BOC Intl.	6	"Imps"	7	Vickers	14
B.S.R.	5	I.C.L.	45	Woolworths	6½
Babcock	12	Inveresk	5	**Property**	
Barclays Bank	30	Ladbroke	15	Brit. Land	7
Beecham	13	Legal & Gen.	14	Cap. Counties	9
Blue Circle	25	Lex Service	10	Land Secs	25
Boots	17	Lloyds Bank	24	MEPC	17
Bowaters	16	"Lofs"	3½	Peachey	13
B.A.T.	25	London Brick	6	Samuel Props.	12
Brown (J.)	7	Lucas Inds.	20	Town & City	2
Burton 'A'	22	"Mams"	14	**Oils**	
Cadburys	5½	Mrks. & Spncr	9	Brit. Petroleum	38
Courtaulds	0	Midland Bank	30	Burmah Oil	20
Debenhams	0	N.E.I.	5	Charterhall	12
Distillers	21	Nat. West. Bank	52	KCA	11
Dunlop	5½	P & O Dfd.	9	Premier	12
Eagle Star	14	Plessey	16	Shell	35
F.N.F.C.	2½	Racal Elect.	20	Tricentrol	35
Gen. Accident	21	R.H.M.	4½	Ultramar	50
Gen. Electric	39	Rank Org.	18	**Mines**	
Glaxo	40	Reed Intnl.	17	Charter Cons.	18
Grand Met.	12	Sears	5½	Cons. Gold	52
G.U.S. 'A'	30	Tesco	7	Lonrho	12
Guardian	23	Thorn	25	Rio T. Zinc	35
G.K.N.	22	Trust Houses	14		
Hawker Sidd	16	Tube Invest.	27		
House of Fraser	12	Unilever	40		
		U.D.T.	6		

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FINANCIAL TIMES

Monday April 28 1980

Six held in £15m West German bond market fraud

BY KEVIN DONE IN FRANKFURT

A BANK and bond market fraud running to at least DM 60m (£15m) has been uncovered by West German police.

A group of six officials from some of Germany's biggest banks, including the Deutsche Bank, has been arrested. A seventh man, a Frankfurt stockbroker who is thought to have fled the country, is still being sought by police.

According to the police, the fraud involved the manipulation of the prices of fixed-interest securities on the bond market.

The illegal profits of more than DM60m taken by the ring of bank employees are thought to have been largely transferred to bank accounts in Switzerland.

Part confessions have been made by some of the men arrested. The Deutsche Bank confirmed at the weekend that an employee from its Hanover branch had been arrested in connection with the fraud.

It is understood that the fraud was discovered after an examination of documents at Bankhaus Hassel und Cie, a private Frankfurt bank. Other members of the bank ring, all bond dealers, are understood to come from the Effektenbank Warburg and the Nassauische Sparkasse.

Police are believed to have found many securities and papers during a search of the houses and offices of the six men arrested, and to have frozen bank accounts containing some DM 20m. One of the accused was apparently carrying DM 15,000 in cash in his pocket when arrested.

The discovery of the fraud comes a few months after the trial of three employees of the Bundesbank, the West German central bank.

They were found guilty in December of stealing more than DM 2.4m, by taking away used bank notes that were supposed to have been taken out of circulation and burned.

Fed under pressure to support dollar

By David Lascelles in New York

THE Federal Reserve Board's determination to press on with its tight monetary policy faces a severe test this week, after the record decline in U.S. interest rates this month and the vulnerability of the dollar in the wake of the failed Tehran hostage rescue bid.

Some Wall Street economists were predicting over the weekend that the Fed might have to intervene more strongly in the money markets to slow or even halt the decline of the dollar.

On the other hand, the Fed also wants to cushion the impact of its latest, swinging credit measures and prevent the economy from sliding into too deep a recession.

Although the drop in U.S. rates has given a fillip to Wall Street, there is a mixture of puzzlement and concern at the Fed's apparent laissez-faire attitude.

Last week, it allowed the key Fed funds rate to dip four points with only minimal intervention. On Friday, it did not intervene at all, despite the Iran crisis and the one-point drop that pushed the rate down to 14½ per cent that day.

Concern is most marked in the foreign exchange markets where the dollar has fallen more than 5 per cent against the D-Mark since early this month. It would have lost more on Friday but for strong intervention by the central bank.

The worry is that, unless U.S. interest rates harden, there is little to stop the dollar from plunging below the psychologically important DM 1.80 level.

Worries about rates trends have also made the big banks cautious about cutting their prime rate. Only one major bank, Chase Manhattan, has moved from the 20 per cent peak to 19 per cent.

The others are still at 19½ per cent, apparently in an attempt to comply with the Fed's request to curb their lending.

Puzzlement also centres on the Fed's decision to allow rates to drop before there has been any improvement in inflation, which high rates are supposed to cure.

But in deciding whether to slow the rate decline, the Fed will be under political pressure not to do anything that damages an already fragile economy.

Unemployment is rising, economic activity is falling away sharply, and few economists believe the White House's contention that the looming recession will be "short and mild."

The Fed must also consider the fast-shrinking money supply. After last week's fifth consecutive, and unexpected, dip, growth is now well below target. And other indicators, like bank lending and reserves, all point to the success of the Fed's March measures in dampening down credit.

U.S. bonds, Page 13

Jaguar peace plan floated

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS last night concluded a peace formula with union leaders at Jaguar, Coventry, which should avert the threatened sacking of 1,800 workers.

Jaguar management agreed to delay for two days its threat to dismiss strikers who do not report for duty. Union leaders will call a mass meeting at the Browns Lane assembly plant tomorrow to report details of 16 hours of negotiations with the company at the weekend.

The men, who walked out in protest at a proposed new grading structure, have now been offered an appeals procedure to deal with their grievances. The management also gave other assurances to allay union fears about the future viability of Jaguar within BL.

The company had refrained from implementing the threat to dismiss any striker who failed to report for work.

Many strikers, originally told they would be dismissed from last Wednesday, believed implemented today unless they clocked in.

Although clearly conscious of the risk to the company's future, BL insisted last night that no concessions could be made in the face of strikes; nor was there any weakening in the company's resolution to dismiss strikers.

There are divisions at the Browns Lane assembly plant, where only about 1,800 of the 4,000-strong labour force remained out in protest at the company's proposed new grading structure.

The Transport and General Workers' Union has emphasised to the management that dispute is not merely about the new pay structure, which downgrades many Jaguar workers, but also about the viability of the company within the BL framework.

Jaguar shop stewards, noted for their elitism and pride in the famous marque, argue that the company should be floated off as an independent operation.

There is some sympathy for the idea among local management. Preliminary investigations about its practicality have been undertaken. Alternative sources for body pressings, currently taken from BL's Castle Bromwich plant, Birmingham, have been explored.

Failure to break the resistance so far shown by the Jaguar workers would pose a serious problem for BL. The company is aware that implementation of the sackings threat could lead to action by the transport union, not only against Jaguar but against other BL plants.

The alternative, switching Jaguar assembly to the Rover plant, Solihull, is thought to have been ruled out. BL would prefer to keep Jaguar as a self-contained, potentially independent operation.

Other labour news, Page 3

Bid to avert provincial printing strike fails

BY PAULINE CLARK, LABOUR STAFF

A LAST-MINUTE attempt to head off a strike in Britain's provincial newspaper and general print industry failed last night when print craftsmen's leaders again rejected an appeal to put a 20 per cent pay offer to ballot.

The appeal came from the British Guild of Newspaper Editors' conference in Cambridge on the eve of today's nationwide lock-out by employers of 45,000 members of the National Graphical Association (NGA) because of industrial action over pay.

Sympathetic action in support of provincial printers is expected to continue this week by printers in Fleet Street, where the News of the World yesterday became the third national newspaper after The Sun and the Daily Mirror to lose a day's publication because of a walkout by the NGA.

The union has warned national newspapers with provincial paper interests that all are vulnerable to action aimed at putting pressure on their provincial managements to meet the union's pay claim.

The full extent to which newspaper and print industry employers will follow the national call to suspend NGA members without pay from today is uncertain, although provincial newspaper representatives claim that 85 to 90 per cent have said they will respond, and big print groups have also firmly backed the stand.

The NGA claims that some companies, employing about a fifth of its members, have been exempted from disruption because they have agreed to an interim pay deal. It says it plans to name the companies which have reached agreement "in the near future."

A note of dissent, however, was expressed by Mr. Christopher Pole-Carew, managing director of T. Bailey Forman, publisher of the Nottingham Evening Post, which left the NS last year.

Attacking the decision to suspend printers without pay, he told the guild: "I cannot imagine a step more calculated to damage any company's good relations with its staff, or more certain to ensure that in future NGA members will rally to their union, however much they may object to the NGA's instructions."

Continued from Page 1

U.S. may still use military

not really feasible "and not one of our more serious concerns at the moment."

The Defence Secretary repeatedly refused to foreclose any military option. He noted, wryly, that the Administration's deliberate tactic of steering speculation away from the military alternative in the period immediately preceding last week's raid had obviously worked and added: "You wouldn't believe me anyway if I said now we weren't going to try again."

Officials acknowledged that if indeed the Iranians have dispersed the hostages then the chances of another rescue mission succeeding are diminished.

Future negotiations with Iran over their release will also be further complicated. However, it is also argued that it might be more difficult for groups of the militants to retain control over those hostages in their custody.

Neither official disclosed more details about those parts of the rescue mission which were to have fallen into place once the staging post had been established. This is generally taken to mean that the U.S. force was expecting help on the ground in Tehran and has no intention now of jeopardising the safety of those involved.

Domestic reaction to the failed mission has so far encouraged the Administration. It does not appear that President Carter suffered much damage in Saturday's Democratic Party caucuses in Michigan, in which he lost marginally to Senator Kennedy, although subsequent investigations into the reasons for the failure by the Press and the Congress could turn public opinion against Mr. Carter.

As for reaction overseas, especially in Europe, Dr. Brzezinski claimed that public opinion abroad understands the need for rescue operations—the Germans and French have done them. He said the President had received warm messages of support from some allied heads of state.

The Administration feels it crucial that the allies do not reverse their sanctions programme agreed in Luxembourg last Tuesday, due to take effect on May 17 if the hostages are not released.

Continued from Page 1

EEC heads seek deal

£500m or £780m depending on how the advantages of currency subsidies in farm trade are counted.

Mrs. Thatcher was believed ready to negotiate on the basis of the lower figure, which would imply a cut of £600m in the UK's budget payments for this year.

But she was expected to press for a substantially larger reduction in the region of £700m to £750m so that she could take a great deal more than "half a loaf" back to her Cabinet.

Hitherto, Britain was the only country to say openly that the Commission proposal for a 2.4 per cent average rise went too far.

It insisted wine, milk and sugar prices should be frozen. Apart from budgetary costs, a 5 per cent average rise would cost UK consumers an estimated £300m, which would not show up in the budget.

But yesterday, amid mounting speculation that the British might give ground on prices if offered a satisfactory budget figure and if their £80 (130m ecu) butter subsidy were maintained, the Bonn Government mounted a rapid rearguard action.

It fired off an opening salvo of statistics, showing that, on the basis of the past five months, farm spending this year would exceed estimates by 1.5bn ecu (£900m).

A 5 per cent price rise would add a further 1.7bn ecu and, the West Germans claim, would push the EEC to within 900m ecu of its budgetary ceiling. This, they pointed out, would leave little money to meet Britain's budgetary demands.

● Chancellor Helmut Schmidt is also believed to have invited Mrs. Thatcher to say when the UK might join the European Monetary Scheme, the joint EEC currency system. Mrs. Thatcher, however, gave no indication.

Weather

CLOUDY with some rain in Cent. England. Rest will be dry with some sunshine.

London, S.E., E., Cent. N.E. England, S.W., N.E., N.W. Scotland, Aberdeen, Cent. Highlands, Moray Firth, Argyll, Orkney, Shetland, N. Ireland.

Mostly cloudy, bright intervals and some light rain.

Midlands, N.W., Cent., S. England, Channel Isles, I. of Man, Lake District, N. Wales.

Mainly dry. Cloudy. Max. 14C (57F).

S.W. England, S. Wales, Borders, Edinburgh, Dundee, Glasgow

Mainly dry, sunny periods. Max. 8C (55F).

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	16	61	L. Plms.	S	21	70
Algiers	S	21	70	Lisbon	S	17	63
Amsdm.	S	12	54	Locarno	R	12	54
Athens	F	18	66	London	C	11	52
Bahrain	S	28	82	Luxmbg.	R	6	43
Barclna.	F	19	66	Madrid	F	20	68
Beirut	C	15	64	Majorca	F	15	66
Belfast	C	11	52	Malaga	S	23	73
Belgrd.	R	14	57	Malta	F	18	68
Berlin	R	7	45	M'chstr.	C	13	55
Biarritz	F	14	57	Melbne.	R	14	57
Brmghm.	F	12	54	Milan	F	13	55
Blackpl.	S	11	52	Mntreal.	C	10	50
Bordx.	F	15	59	Moscow	C	21	70
Boulgn.	C	8	46	Munich	R	4	39
Bristol	F	13	55	Nairobi	C	21	70
Brussels	S	12	54	Naples	F	14	57
Budpst.	R	10	50	Nwcstl.	C	9	48
B. Aires	C	24	75	N. York	R	11	53
Cairo	S	36	97	Nice	F	15	59
Cardiff	F	13	55	Nicosia	C	19	66
Cas'b'ca.	F	19	66	Oporto	S	15	59
Cape T.	S	20	68	Oslo	R	12	54
Chicago	C	8	47	Paris	C	11	52
Cologne	R	11	52	Perth	F	24	75
Cpnhgn.	C	8	42	Prague	F	8	48
Corfu	S	19	66	Reykjvk.	C	4	39
Dublin	C	13	55	Rhodes	F	20	68
Dbrvnk.	S	15	59	Rome	F	17	63
Ednbgh.	C	15	59	Salzbrg.	C	6	43
Faro	S	21	70	Singapr.	C	27	81
Florence	C	13	55	Stckhm.	C	8	46
Frankft.	C	10	50	Strasbg.	C	10	50
Funchal	S	20	68	Sydney	F	18	64
Geneva	C	8	46	Tangier	F	19	66
Gibrltr.	F	20	68	Tel Aviv	F	26	79
Glasgow	F	13	55	Tokyo	C	22	72
G'rnsey	C	9	48	Toronto	S	11	53
Helsinki	S	15	59	Tunis	F	19	66
H. Kong	C	22	72	Valencia	S	18	66
Innsbrk.	R	6	43	Venice	R	9	48
Invrnss.	F	12	54	Vienna	C	9	48
I.o.Man	C	11	52	Warsaw	F	14	57
Istanbul	S	16	61	Zurich	C	6	43
Jersey	C	8	46	5—7 1 5 ahr sh...			
Jo'burg	S	21	70				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

Union plan for Labour as 'mass' party

BY ALAN PIKE, LABOUR CORRESPONDENT

PROPOSALS for trade unions to pay their Labour party affiliation fees at constituency rather than national level are among radical and far-reaching ideas for reform of the party prepared by the Amalgamated Union of Engineering Workers.

The union says a "surgical operation" is needed to enable the party to emerge from its 1980 conference with a sound, democratic structure, "allowing more involvement in policy-making."

The plan, endorsed by the AUEW executive, will be presented to the union's policy-making National Committee in Blackpool this week.

If, as is likely, the committee approves the proposals, they will go to the Labour Party Commission of Inquiry, backed by the considerable weight of Britain's second largest union.

Among other submissions by the AUEW are calls for a reconstituted Labour Party National Executive Committee and for reselection of MPs by a much bigger forum than the present general management committees. The submissions are in an executive document which National Committee delegates will receive this morning.

The choice for the party, the document says, is between retaining its existing "elitist" structure, and becoming more of a mass party in which millions can participate.

The second alternative, which the AUEW supported, would mean an end to the multitude of committees that produce little-read documents and a big shift in resources from party headquarters out to the organisation throughout the country.

The proposal for unions to pay affiliation fees through local branches to individual constituencies would "make possible the employment of hundreds of full-time agents with decent wages, who could spend their time organising, and not running raffles and sweepstakes to exist."

Each union and constituency branch would then send an agreed number of delegates to a general constituency meeting, which would elect the general management committee and select the Parliamentary candidate before a General Election.

"This, in our view, is the truly democratic method of mandatory reselection."

The AUEW proposals would re-form the 29-strong Labour Party National Executive into a body of 45, split equally between trade union representatives, MPs and lay activists who would not be MPs.

This would provide a more broadly based governing body. The present one, says the AUEW, "manifestly fails" to reflect the diversity of opinion in the party.

The union opposes the NEC alone's preparing Labour's election manifesto, and concludes that election of the party leader by the Parliamentary Labour Party remains "the most representative system of the choices available."

If the document is adopted by the National Committee this week, it will have great importance for the AUEW's position at this year's Labour Party Conference.

Last year Left-wingers succeeded in casting the union's block vote in favour of mandatory reselection of candidates and executive control of the manifesto, and this week they will try to get the National Committee to agree that all sections of the party elect the Leader.

If the executive document is accepted the union will go to the 1980 conference in the autumn with a policy which meets with the approval of Mr. Terry Duffy, its president, and Sir John Boyd, the general secretary, who are both close political allies of Mr. James Callaghan.

The Opposition Leader is due to address the National Committee, but not until later this week, by which time the issue will have been decided.

THE LEX COLUMN

Jawboning the Euromarkets

The deepening Iranian crisis has had the incidental effect of increasing the attractions of less-regulated offshore financial markets of which the Euromarkets in banking and bonds are the prime examples. But those investors from the Middle East and elsewhere who hope that their assets will be out of reach of the U.S. authorities in the Euromarkets should take a look at the action of the U.S. Federal Reserve in requesting other central banks that they help it to enforce credit restraint within the U.S.

The request is already having tangible consequences. It is now clear that at least one major Japanese takeover of a U.S. company has already been frustrated because Japanese banks were prevented by the Bank of Japan from arranging the necessary dollar loans. This was to be a rival bid for Austin Nichols, the American drinks business which Liggett is trying against legal opposition from Grand Metropolitan — to sell to the French company Pernod Ricard for $97.5m.

The Japanese banks were told not to supply finance because the Fed's credit restraint specifically frowns on loans for takeover purposes. Pernod was able to proceed with the bid because it can finance the purchase out of its own resources. Grand Met itself was only able to bid for Liggett because its twin $175m Barclays and NatWest facilities were fixed up some time ago.

Other evidence of the lengthening reach of U.S. credit restraint is the noticeable number of U.S. companies which have tapped the eurodollar bond market in the fortnight since new issues in this market became possible again. Eurobond issues allow them to raise dollars speedily and without involving the banking system.

The Fed's letter to its fellow central banks is a prime example of the way in which their developing collaboration in policing the international banking market can now be used to impose the policies of a single government through that market. The euro-markets used to be immune to "jawboning" — as moral suasion of banks is known in the U.S. Today, via Basle, the U.S. jawbone can extend to London, Frankfurt and Tokyo.

Deferred tax

The annual reports for 1979 of the big banks reveal an enormous diversity in the treatment of deferred taxation. At one end of the scale Lloyds makes no provision at all for tax deferred through leasing operations, while the Midland maintains a provision of nearly 50 per cent. The Scottish banks, the Royal, for example, tend to be even more conservative, with provisions on the leasing side of 60 per cent.

The sums involved in leasing are now so large that the accounting treatment of deferred tax can make a substantial difference to free capital and consequently to the scale of operations. If Lloyds adopted the Midland's stance on provisions, for instance, the free capital ratio would fall from about 4½ per cent to below 4 per cent.

There is nothing wrong with diversity as such. The accounting standard SSAP 15 was designed to release companies from the deferred tax straitjacket and allow them to make their own judgements on future liabilities. But there are signs that as far as the banks are concerned SSAP 15 is being operated rather oddly. Barclays highlights the subjectivity of the standard by stating that its assessment of future business would allow the entire release of deferred tax provisions. However, it maintains a 25 per cent provision out of prudence.

The commonest explanation for the diversity of treatment relies on differences in leasing mix. But while there seems to be some justification for Lloyd's argument that it is almost exclusively involved in the less risky "big ticket" leasing, for large individual items, there is considerable scepticism over whether differences among the other clearers in mix add up to very much.

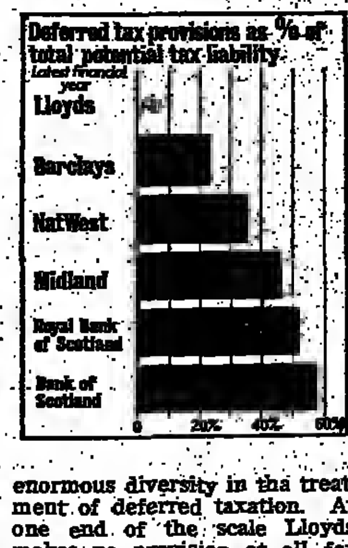
However, there are clear disparities in the banks' approach to the different categories of leasing. Midland separates out what it considers the most vulnerable areas—cars, computers, public authorities, etc.—and makes full provision for these. Barclays, whose leased assets expanded by three-quarters last year, treats its business en bloc and believes it can find replacement business in other areas if any part of the market is closed down. But the fact that last year Lloyds failed to use up all its taxable capacity could be a sign that competition is stiffening in the more attractive parts of the market.

In practice, the level of provision seems to be determined by the view taken on two general factors. The first is the extent to which the leasing market is expected to continue growing, since increasing leasing business year by year is the only way that deferred tax can go on being pushed ahead. The second view concerns legislative change. Midland's conservative provision for its business with public authorities has been amply justified in the light of the Budget, which shut down this part of the market.

Fringe areas

Prospects on the political front now look less cloudy, because the Budget clean-up of the fringe leasing areas suggests that further restrictions in the mainstream areas have been ruled out by the authorities. Nevertheless, since changes on either front will have a roughly comparable effect on all the banks, there seems little justification for such divergence in the deferred tax provision.

There are two strong motives for the banks to pare down their provisions. The first is to bolster their free capital and the second to support their current cost profits, where a monetary working capital adjustment has to be set aside to balance the provision. But pressure for some sort of normalisation of provisions will probably develop after the Bank of England releases its capital adequacy rules this summer. The Bank is expected to make private adjustments to the ratios of the banks in the light of the individual deferred tax provisions. While the Bank is unlikely to insist on immediate convergence, it would be surprising if these adjustments do not find themselves reflected in the banks' accounts over the medium term.



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